



May 6, 2014

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Subject: V.C. Summer Units 2 and 3 Guaranteed Substantial Completion Dates

Reference: (1) Engineering, Procurement, and Construction Agreement for AP
1000 Nuclear Power Plants, Dated May 23, 2008 – V.C. Summer
Units 2 and 3
(2) VSP_VSG_002024, dated August 6, 2012

Gentlemen:

On May 23, 2008, we executed the EPC Agreement with the Consortium for Units 2 and 3 at our V.C. Summer nuclear facility. That was an historic day for our companies. We would like to believe that it was equally significant to you. Together, we helped kick off what we continue to hope will be a new wave of nuclear construction in this country.

The V.C. Summer facility offers the best template for future projects. Although you signed EPC agreements with two other utilities at about the same time, both of

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those projects are currently embroiled in major litigation. We chose a different path. We resolved to work with you amicably, believing that building the project cooperatively, on time and on budget, would be in the best interests of all involved.

The events since May 23, 2008 have tested our resolve. In this letter, we will review certain of those events for the benefit of your current management. We believe that such a review is called for because of the many turnovers in your management since May 23, 2008. With one possible exception, no one from your two companies who attended the signing ceremony is still involved in the project. Since then, Westinghouse has had at least two Presidents, three Project Directors, and two Commercial Directors. Shaw was acquired by CB&I, and has had comparable turnover, with five Commercial Directors, two Project Directors and two Construction Managers.

Before reviewing the relevant events, we wish to share with you our view that the management turnovers have been accompanied by a change in attitude. Senior managers who began the project appeared to appreciate the significance of the task to our customers and to the nuclear community at large, and exhibited a commensurate dedication. Events indicate that this has been replaced by a different attitude, one that is less focused and seems intent on taking advantage of our cooperative nature.

We should also mention that we have noted the evident deterioration of the relationship between senior management at Westinghouse and Shaw/CB&I. Repair of that relationship will likely be necessary if you are to satisfy our concerns. As a Consortium, the two firms are jointly and severally liable to us. It does not matter to us which of you caused a specific problem. We look to both of you to remedy all the Consortium's deficiencies.

We regret that this letter is necessary and regret its length. Your poor performance has made both necessary. A complete description of our grievances would make this letter even longer. Consequently, we have chosen to focus on the events and issues concerning the structural modules, primarily CA-20 and CA-01, as well as certain design issues, and their combined effect on the expected completion date and cost of the project. We selected these examples to illustrate our dissatisfaction. They are not an exhaustive listing of your every shortcoming.

I. THE EPC AGREEMENT ESTABLISHED THE PROJECT SCHEDULE

The EPC Agreement stated the Consortium's commitment to meet following dates for Unit 2:

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Activity	Unit 2
CA-20 On-Hook	November 18, 2011
CA-01 On-Hook	March 29, 2012
Guaranteed Substantial Completion	April 1, 2016

To meet these dates, it was essential that the Consortium timely complete module fabrication, delivery, and assembly. The Consortium selected Shaw Modular Solutions, LLC ("SMS"), an affiliate of the Consortium, as the module fabricator. Problems with SMS's work began almost immediately. The NRC attempted to inspect the SMS facility between January 10 and 12, 2011, but the inspection had to be "terminated early because of the current status of activities at SMS." To the NRC's apparent surprise, SMS had not yet made enough progress to make an inspection worthwhile.

By letter dated February 22, 2011, SMS advised the NRC of its expectations for module production and shipment, as follows:

SMS expects to be at a high level of production of structural modules in early June 2011. SMS expects that shipment of the first structural sub-module will occur the end of June 2011. ... If schedule changes are necessary, SMS will promptly notify the NRC.

SMS did not meet these module production and shipment dates. We are unaware if it gave the NRC the promised notice of these failures.

The NRC returned to inspect the SMS site between November 14 and 18, 2011. That inspection led to a "Notice of Nonconformance," dated January 6, 2012, based on deficiencies in SMS's quality assurance program. The Notice of Nonconformance stated:

During this inspection, the NRC inspection team found that the implementation of your quality assurance program failed to meet certain NRC requirements which were contractually imposed on you by your customers or NRC licensees. Specifically, the NRC inspection team determined that SMS was not fully implementing its quality assurance program in the areas of training, design control, procurement document control, control of special processes, control of measuring and test equipment, control of nonconforming items, and corrective actions consistent with regulatory and contractual requirements, and applicable implementing procedures.

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II. THE AUGUST 6, 2012 AGREEMENT CHANGED THE GUARANTEED SUBSTANTIAL COMPLETION DATES

By July 7, 2012, only 21 of 72 CA-20 sub-modules had been delivered to the site. Despite the poor progress, you assured us that you had resolved the module production problems. This led to the Agreement of August 6, 2012.

The 2012 Agreement recites that it resolved several pending change order requests. An additional motivation for us was to enable you to put the past module issues behind you and have a fresh start. Section IV.A of that agreement established the following revised guaranteed substantial completion dates:

Activity	Unit 2	Unit 3
Guaranteed Substantial Completion	March 15, 2017	May 15, 2018

After execution of the 2012 Agreement, you had no one to blame but yourselves for future module delays. Section IV.D of the 2012 Agreement made clear that future module delays would be your sole responsibility. It stated in pertinent part:

Except as otherwise provided for in Article 9 of the EPC Agreement or Section XII.D of this Agreement, Contractor will not submit further Change Orders for any impacts to Project Schedule or Contract Price associated with Structural Module schedule delays and agrees that such further schedule delays will be the responsibility of Contractor.

Although the parties released certain claims against each other in the 2012 Agreement, Section XII.D of the agreement stated that our release did not apply to any claims "that may arise hereunder from Contractor's failure to deliver the Structural Modules referenced in Section III.C of this Agreement, so as to achieve" the revised Guaranteed Substantial Completion Dates.

The 2012 Agreement imposed on the Consortium certain additional scheduling obligations to enable us to monitor module progress. Section IV.D of that agreement stated:

In order to measure impacts to the Project Schedule associated with Structural Module delivery, Contractor agrees to provide a detailed Structural Module delivery and assembly baseline schedule within 30 calendar days of the execution of this Agreement and to report actual progress against this schedule on at least a monthly basis.

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The Consortium prepared the new baseline schedule for module delivery and assembly, as called for in this Agreement, but it has not provided the monthly progress reports.

In sum, the Consortium decided to engage SMS, an affiliated entity, as the module fabrication subcontractor. SMS proved to be neither equipped nor qualified to produce the modules. Nevertheless, in July 2012, we worked with you amicably by allowing you additional time that was made necessary, at least in part, by SMS's poor performance. In exchange, you agreed that you would not be entitled to any additional time extensions due to future module delays.

III. MODULE DELAYS CONTINUED AFTER THE 2012 AGREEMENT

Despite the Consortium's assurances, module production did not improve after the 2012 Agreement. The Consortium issued a module delivery and assembly baseline schedule, dated August 10, 2012, as called for in the 2012 Agreement. That schedule contained a series of milestone dates, including the following on-hook dates for CA-20 and CA-01:

Activity	Unit 2 Milestone Date
CA-20 On-Hook	January 19, 2013
CA-01 On-Hook	May 28, 2013

The Consortium has not met these on-hook dates or any other milestone dates in that schedule.

A. Module Status In September 2012

As of September 27, 2012, at least thirty of the milestone dates had already come and gone without completion of the associated milestone event. By that time, only 31 of the 72 sub-modules for CA-20 had been delivered to the site. As a result of the module production and delivery delays, we wrote to you on September 27, 2012. That letter stated:

Due to the current status of the structural modules, the Owner remains concerned that the late fabrication, delivery, and installation of structural modules will impact the Consortium's ability to meet the critical path schedule date of January 28, 2013¹ (CA20 on-hook date), and eventually to meet the revised Unit 2 Guaranteed Substantial Completion Date (GSCD) and possibly the Unit 3 GSCD. The Owner requests the

¹ This date was incorrect. The letter should have referenced a January 19, 2013 CA-20 on-hook date.

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Consortium continue to provide structural module status updates during the weekly project review meetings and other status updates as previously agreed. Also, beginning no later than October 10, 2012, provide bi-weekly written status updates on the fabrication, delivery, and installation of the structural modules, including information on any structural module issues. Finally, the Owner requests the Consortium review with the Owner the Consortium's documented contingency plans concerning the structural modules prior to October 19, 2012. These contingency plans should include, at a minimum, actions to be taken by the Consortium to meet currently scheduled structural modules CA01-CA05 and CA20 on-hook dates and installation dates to support the Project schedule.

The Consortium did not comply with any of these requests.

As of September 2012, you had still not resolved your NRC issues. The NRC performed an unannounced inspection on September 10-14, 2012, which led to another "Notice of Nonconformance" arising out of deficiencies in SMS's quality assurance program. The NRC documented this in its letter of October 24, 2012, which stated:

During the inspection, the inspectors found that the implementation of your QA program did not to meet [sic] certain NRC requirements imposed on you by your customers or NRC licensees. Specifically, SMS failed to promptly correct conditions adverse to quality and significant questions adverse to quality, failed to effectively implement a corrective action regarding documentation of late entries in a quality records procedure, failed to preclude recurrence of significant conditions adverse to quality related to identification and control of items, and failed to perform adequate corrective actions associated with a nonconformance identified during a previous NRC inspection.

Shortly after this, the NRC advised CB&I of a "chilled work environment" at the Lake Charles facility, which was causing employees to believe that they "are not free to raise safety concerns using all available avenues" and that "individuals have been retaliated against for raising safety concerns."

B. Module Status In March 2013

By March 6, 2013, only 40 of the 72 sub-modules for CA-20 had been received. At our request, a meeting to discuss module production was held among executive officers in Columbia on April 9, 2013. Westinghouse did not attend the meeting, but CB&I was there and it promised that the Consortium would deliver four modules in the

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second quarter of 2013, 40 modules in the third quarter, and 39 modules in the fourth quarter. It also informed us of a significant delay in the on-hook dates, as follows:

Activity	Delayed Unit 2 Date
CA-20 On-Hook	October 31, 2013
CA-01 On-Hook	September 4, 2014

The Consortium missed the revised CA-20 on-hook date of October 31, 2013 and, as of today, has yet to reach this milestone. The Consortium is also not on schedule to meet the revised CA-01 on-hook date of September 4, 2014.

C. Module Status In May 2013

By May 25, 2013, the Consortium had delivered only 41 of the 72 CA-20 sub-modules. And it had delivered only one of these in the preceding eleven weeks.

D. The Consortium Reported Schedule Delays In June 2013

On June 5, 2013, SCE&G publicly disclosed your statement to us that you would not be able to meet the required completion dates in the 2012 Agreement. We reported your estimate that completion of unit 2 would occur in either the fourth quarter of 2017 or the first quarter of 2018 and your estimate that completion of unit 3 would be "similarly delayed." Due to these delays, we also reported that SCE&G's 55% cost of the project could increase by \$200 million. We noted that these schedule changes and cost increases resulted from "delays in the schedule for fabrication and delivery of sub-modules for the new units."

E. Module Status In July 2013

We saw no improvement over the next several months. By July 18, 2013, the Consortium had delivered only 44 of the 72 CA-20 sub-modules. This means that it had delivered only three modules in the preceding 11 weeks.

On August 7, we sent you another letter expressing our concerns about delays. On September 17, you advised us that, unless we objected, you would move the work of completing some CA-20 sub-modules from Lake Charles to the site. Your proposal was to move the uncompleted sub-modules into a temporary, onsite quarantine area to complete document processing and make minor repairs. We responded that we would not interfere with your decisions about how best to perform the work.

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F. The Consortium Reported Further Schedule Delays In September 2013

On September 18, 2013, the executives of all involved companies met in Columbia. That meeting resulted in a September 25 letter from you, which included a schedule showing the following activities and dates:

Activity	Unit 2 Target Date	Unit 2 Late Date
CA-20 On-Hook	January 24, 2014	January 27, 2014
CA-01 On-Hook	July 18, 2014	September 18, 2014
Substantial Completion	December 15, 2017	December 15, 2017

Your letter also stated that:

The Unit 2 CA01 sub-module delivery schedule is being reviewed to incorporate the latest information and will be transmitted to you by October 2, 2013. We have scheduled a management meeting on October 3, 2013, to review these deliverables with your team.

The promised October 2 letter and schedule showed that all CA-20 sub-modules would be delivered by November 4, and CA-01 sub-module shipments would extend between November 3, 2013 and July 18, 2014. The letter and schedule also introduced, for the first time, a CA-20 "minimum configuration" concept that we believe has the potential to further impede your ability to achieve timely project completion. This concept conflicts with the 2012 Agreement, and associated August 10, 2012 baseline schedule, which call for a complete (equipment loaded) CA-20 module to be set on its foundation by January 19, 2013.

Your October 2, 2013 letter went on to state:

The Consortium is taking additional management measures to add certainty to this schedule. Resources have been added to engineering to reduce the backlog of E&DCRs and N&Ds and improve the turnaround time to disposition these items. Personnel from Lake Charles have been located at the V.C. Summer site to perform final inspections and document closeout. Resources have been added to the modules team to repair or rework any conditions identified on the sub-modules and prepare them for assembly. A daily Lake Charles Plan of the Day process has been implemented to drive schedule, elevate issues and resolve problems. Weekly CBI senior management review and monitoring of Lake Charles progress against the plan has been established. Milestone Managers are

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being added to the site team to drive schedule and accountability for module assembly and placement. We believe that actions such as these will improve performance.

Although this letter does not amend the EPC Agreement or modify our commercial positions, we commit our support to the Project in achieving the schedules provided herein. We will maintain frequent and transparent communications with your staff to ensure that any significant change in schedule is raised and understood. We encourage SCANA to monitor our schedules and provide immediate feedback if they are not meeting your expectations.

Of the CA-20 sub-modules remaining to be delivered as of this date, seven were earmarked for delivery to the onsite quarantine area for completion of document processing and minor repairs. Those sub-modules were not ready to be incorporated into the construction.

Weekly module update calls began on October 14. By December, however, the level of participation by Consortium management had begun to wane. "Frequent and transparent" communications did not materialize, and we have not received "immediate feedback" when we have raised schedule issues.

In our letter of October 21, 2013, we stated:

You have represented that this schedule embodies the Consortium's realistic expectations concerning performance of Unit 2 work and its commitment to achieve Unit 2 substantial completion date by December 15, 2017.

We appreciate the Consortium's efforts in preparing these schedules and the Consortium's commitment to allocate additional resources and to perform as to achieve Unit 2 substantial completion by December 15, 2017. We must remind you, however, that the Consortium remains contractually committed to the dates for substantial completion stated in the July 11, 2012 Letter Agreement. As you correctly noted, the schedules in no way amend the Agreement. In the Letter Agreement, the parties agreed to a Unit 2 Guaranteed Substantial Completion Date of March 15, 2017, and a Unit 3 Guaranteed Substantial Completion Date of May 15, 2018.

G. **Design Deficiencies Came To Light During September 2013 On-Site Assembly**

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On September 3, 2013, Westinghouse informed us that it had identified problems with the design of CA-04. The Consortium had planned to set that module on the Nuclear Island in September 2013, but it delayed that work because of the need to modify the concrete foundation. The foundation placement was then put on hold during the foundation redesign and associated procurement.

H. Module Status In December 2013

By December 4, 2013, all 72 CA-20 sub-modules had finally been delivered to the site, although 30 of them required documentation processing and repairs at the on-site quarantine area. The modification effort continued well into 2014.

On January 8, 2014, Westinghouse informed us that six Engineering and Design Coordination Reports (E&DCR) had to be completed before placement of CA-20. It also advised us that another sixteen E&DCRs would need to be completed after placement of CA-20, but before placement of wall concrete.

As of February 2014, none of the 47 CA-01 sub-modules had been delivered, although 20 should have been delivered by then, according to the October 2, 2013 schedule.

I. Module Status In March 2014

The Consortium has been providing our construction team with daily email updates relating to CA-20, but the updates continue to illustrate performance shortcomings. The March 11, 2014 email update reflected an on-hook date of March 31. The email updates of March 12 and 13 reflected the same date, but stated that such date was "in jeopardy" and pending management review. The March 14, 15, 17 and 18 email updates all reflected a date of April 7 for this activity. Those from March 20, 21, 22, 23, 25, 26 and 27 all stated that the April 7 date was "under review." Beginning on March 28, the email updates stated that the on-hook date had slipped again to May 10. In short, the projected on-hook date for CA-20 continues to slip and, by the end of March, we were farther away from completion of that activity than the Consortium had stated we were at the beginning of March.

The Consortium's progress with CA-01 has also been poor. Westinghouse has informed us that it is reviewing its design for that module and future changes could delay its placement. Due to these design issues, documentation approving placement of CA-01 is not expected until August 31, 2014.

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IV. DESIGN ISSUES HAVE CONTRIBUTED TO THE PROJECT DELAY

A. IFC Design Delays

Other design issues, in addition to those identified above, have also delayed the project and are expected to contribute to future delays. Foremost among these is the delayed completion of Issued For Construction (IFC) drawings. The IFC percentage complete is the Consortium's primary metric for evaluating the status of design. That information shows that the Consortium has failed to meet expectations for design finalization and has misjudged its own performance.

The Consortium's early reports of design progress were optimistic. For example, in the March 17, 2011 Monthly Project Review minutes, the Consortium reported that it had delivered 90.49% of the scheduled IFC documents. As a result, the Consortium stated, "Design finalization is coming to an end and transitioning to support the Certified for Construction (CFC) design."

The May 19, 2011 Monthly Project Review minutes continued to reflect satisfactory progress. They reported Westinghouse's statement that design finalization was considered to be complete by the Department of Energy (DOE) and according to WEC's definition. The minutes also reported Westinghouse's estimate that the design was 95% complete. In addition, they reported Westinghouse's statement that the remaining engineering had been defined in a resource-loaded schedule, which it would use to monitor progress to completion.

The October 20, 2011 Monthly Project Review minutes reported Westinghouse's statement that site-specific engineering was winding down and that design finalization should be complete in the summer of 2012.

The Consortium began reporting design delays in May 2012, when you advised us that you would not meet the October 11, 2012 schedule for many of the IFC packages. On December 31, 2013, the Consortium reported to us that the IFC design documents were now only 94% complete. The Consortium continued this trend of revising design progress downward. On March 31, 2014, Westinghouse reported that the IFC documents were only 88% complete.

B. Design Issues Impact Nuclear Island Civil/Structural Work

Westinghouse's many design changes have also adversely impacted the Nuclear Island (NI) civil/structural work. One example concerns the A2 I wall in the Auxiliary

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Building, which is a fairly simple reinforced concrete wall. Two of the construction packages are VS2-1210-COW-003 (rebar/embeds for I wall areas 4 and 5) and VS2-1210-CCW-001 (concrete for I wall areas 4 and 5). There were 109 unique E&DCRs between the two work packages. Ninety-two (92) of the E&DCRs were WEC initiated. This wall placement was delayed several weeks due to the design clarifications and changes.

C. Design Issues Are Requiring Multiple License Amendment Requests

The lack of WEC design maturity is evident in the high numbers of License Amendment Requests (LARs) and Departures to the Final Safety Analysis Report (FSAR) being submitted. As noted in the April 17, 2014 project status review meeting, 90 LARs have been identified; the NRC has approved 11 LARs; and 15 LARs are under NRC review. The following are three examples of these LARs and their importance:

- LAR 13-01/WEC LAR 54 (base mat shear reinforcement design spacing requirements) adversely impacted the schedule for Unit 2 nuclear island base mat concrete placement.
- LAR 13-02/WEC LAR 55 (base mat shear reinforcement design details revising the licensing basis from ACI 349 to ACI 318) also adversely impacted the schedule for Unit 2 nuclear island base mat concrete placement.
- LAR 14-01/WEC LAR 60 (Auxiliary Building structural details) has adversely impacted the schedules for construction of Auxiliary Building walls and floors and construction of structural module CA 20.

Furthermore, we anticipate that LAR 13-33/WEC LAR 53 (condensate return in the Containment Building) will impact construction progress. The same is true of LAR 14-07/WEC LAR 78 (CA04 tolerances); LAR 14-05/WEC LAR 72 – CA05; LAR 13-13/WEC LAR 02a (Turbine Building structural layout, which has been approved for Plant Vogtle); and LAR 13-14/WEC LAR 08 (Battery Room changes). We also anticipate that an LAR will be needed for coating thermal conductivity methods, which will impact Containment Vessel ring 1.

In addition to the LARs, the Consortium has also had a large number of Departures. The April 17, 2014 project status report states that 595 Departures have

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been identified. Of these 237 are in process and 358 are in the queue. These Departures do not require NRC review but have the potential for impacting the project schedule due to Westinghouse's design changes.

V. OUR FRUSTRATION CONTINUES TO MOUNT

As a result of these events, our frustration continues to mount. You have made promise after promise, but fulfilled few of them.

We are aware that the Consortium is in the process of preparing yet another re-baseline of the project schedule. We are entitled to a re-baseline schedule that reflects all mitigation measures reasonably possible to ensure completion of Units 2 and 3 on or near the currently projected completion dates. Please note that this statement of our rights is not an acceleration order. The currently projected completion dates are already past the dates to which the parties agreed in the 2012 Agreement. The delays since then have been solely the Consortium's fault. Thus, you are contractually obligated to take the steps necessary to mitigate the delays at your own expense.

Your unexcused delays will cause our project costs to increase greatly. We intend to hold you strictly to all provisions of the EPC Agreement and expect you to reimburse us for all our additional costs.

We have prepared a preliminary estimate of the added costs associated with your most recent completion projections, that is, completion of unit 2 in either the fourth quarter of 2017 or the first quarter of 2018 and a similar delay to completion of unit 3. Based on such delays, we estimate that we will incur about \$150 million in additional site costs, and will be entitled to about \$100 million in liquidated damages. If you fail to meet your most recent completion projections, these amounts will be even higher. We are in the process of investigating other additional costs that we are incurring due to the unexcused delays or associated changes to your work plan. We will advise you of their categories and amounts once we have completed our investigation.

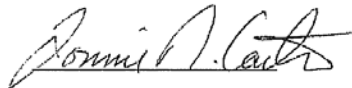
Any future delays to those projections will require further adjustments to the payment schedules.

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VI. CONCLUSION

It is imperative that the Consortium demonstrate a renewed commitment to this project. To help achieve that, we wish to discuss these performance deficiencies and associated delays with you, as well as the measures that you intend to take to mitigate the delays. We also wish to explore with you the extent to which the Consortium's unexcused project delays constitute breaches of material provisions of the EPC Agreement.

Respectfully,



Lonnie N. Carter

President & CEO Santee Cooper



Kevin B. Marsh

President & CEO SCANA



For Immediate Release

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SCE&G Places Containment Vessel Bottom Head on V.C. Summer Unit 3 Basemat

CAYCE, S.C., May 22, 2014—South Carolina Electric & Gas Company (SCE&G), principal subsidiary of SCANA Corporation (NYSE:SCG), and its partners placed on May 21, 2014, the containment vessel bottom head (CVBH) on the basemat of V.C. Summer Unit 3. The approximately 900-ton CVBH was lifted into place with the Heavy Lift Derrick, which is one of the world's largest cranes.

Consisting of nearly 2-inch-thick carbon steel, the CVBH forms the base of the Unit 3 containment vessel and is approximately 40 feet tall and 130 feet wide. The CVBH is the first of five sections comprising the robust structure that will house the reactor vessel and other plant safety systems. Three rings, each fabricated with multiple levels of steel plates, will follow. The containment vessel will then be capped with the top head. When complete, the containment vessel will weigh about 4,000 tons and stand more than 200 feet with a 130 foot-diameter.

"Placement of the Unit 3 containment vessel bottom head is one of many examples of progress occurring daily on our nuclear construction site," said Kevin Marsh, SCANA chairman and CEO. "We successfully placed the Unit 2 bottom head in May 2013, and it's equally exciting to see the same success with Unit 3 just a year later."

Lonnie Carter, president and CEO of Santee Cooper, partner in the project, said, "We are now far enough into this project that we are seeing a steady march of progress toward new nuclear power for South Carolina. I'd like to congratulate the folks who are working hard on site for accomplishing another key milestone."

About 2,500 Chicago Bridge & Iron and Westinghouse personnel and subcontractor personnel are currently involved in constructing two new reactors at V.C. Summer in Fairfield County, S.C., where Unit 1 has operated safely and reliably for more than 30 years. The new nuclear project should peak at about 3,000-3,500 workers during certain points of construction. The two 1,117-megawatt AP1000 units will add 600 to 800 permanent jobs when operational. Once the two units are complete, SCE&G anticipates its generation mix will be about 30 percent nuclear, 30 percent natural gas, and 30 percent scrubbed coal, with the balance in hydro, solar and biomass.

---more---

Visit SCE&G on [Flickr](#) for nuclear construction photos. Browse the SCE&G library of nuclear development videos on [YouTube](#).

SCANA and SCE&G post information from time to time regarding developments relating to SCE&G's new nuclear project at www.scana.com. On SCANA's homepage, there is a yellow box containing a link to the New Nuclear Development section, which contains a yellow box with a link to project news and updates. Some of the information may be deemed material information that has not otherwise become public. Investors, media and others interested in SCE&G's new nuclear project are encouraged to review this information.

PROFILE

South Carolina Electric & Gas Company is a regulated public utility engaged in the generation, transmission, distribution and sale of electricity to approximately 681,000 customers in 24 counties in the central, southern and southwestern portions of South Carolina. The company also provides natural gas service to approximately 332,000 customers in 38 counties in the state. More information about SCE&G is available at www.sceg.com.

SCANA Corporation, headquartered in Cayce, S.C., is an energy-based holding company principally engaged, through subsidiaries, in electric and natural gas utility operations and other energy-related businesses. The Company serves approximately 681,000 electric customers in South Carolina and more than 1.3 million natural gas customers in South Carolina, North Carolina and Georgia. Information about SCANA and its businesses is available at www.scana.com.

###

Ronald Jones
Vice President
New Nuclear Operations



June 19, 2014
NND-14-0354

Chris Levesque
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Nuclear Power Plants
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Subject: V.C. Summer Units 2 and 3 Guaranteed Substantial Completion Dates

Reference: (1) Engineering, Procurement, and Construction Agreement for AP 1000
Nuclear Power Plants, Dated May 23, 2008 – V.C. Summer Units 2
and 3
(2) VSP_VSG_002024, dated August 6, 2012

Dear Mr. Levesque,

The Consortium is in the process of preparing another re-baseline of the project work schedule. You had previously promised to provide that document by May 30, 2014, but we now understand that you anticipate taking an additional six weeks to prepare it. We urge you to deliver the new work schedule as soon as you are able because we need to advise third parties of your latest projections. We also remind you that we expect the upcoming re-baselined work schedule to include all mitigation measures reasonably possible to ensure completion of Units 2 and 3 on or near the currently projected completion dates.

We also wish to remind you that the current progress payment schedules are out of sync with the currently anticipated completion dates for units 2 and 3 substantial completion. Consequently, the payment schedules in their current form would require payment for progress well in advance of when it is actually achieved. This problem will likely remain and may get worse with the upcoming re-baselined work schedule. We plan to address this problem, once we receive the new re-baselined work schedule, by adjusting the progress payment schedules so that they coordinate with the re-baselined project work schedule.

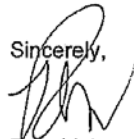
The Consortium has found it necessary to again re-baseline the work schedule because of the Consortium's own performance deficiencies. We anticipate that the upcoming re-baselined work schedule will continue to show substantial completion of Unit 2

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and Unit 3 well past the dates established in the parties' agreement of July 11, 2012. The Consortium is responsible for bearing all costs associated with its unexcused delays, including all escalation costs. Consequently, effective immediately, we will no longer pay the portion of escalation costs that is associated with the Consortium's unexcused delays. Additionally, we plan to adjust future escalation payments to account for escalation we have overpaid since we executed the July 11, 2012 agreement.

Please advise if you have any questions about these intended adjustments to the payment schedules and the escalation payments.

Sincerely,



Ronald Jones
Vice President
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Jones/Smith/lw

Westinghouse/CB&I Stone & Webster – Proprietary & Confidential



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Mr. Ronald A. Jones
South Carolina Electric & Gas Company
New Nuclear Deployment
PO Box 88
Jenkinsville, SC 29065

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Our Reference: VSP_VSG_002819

VIA: E-Mail

July 16, 2014

Subject: Response to NND-14-0354, "V.C. Summer Units 2 and 3 Guaranteed Substantial Completion Dates"

References: 1) Engineering, Procurement, and Construction Agreement for AP1000® Nuclear Power Plants, Dated May 23, 2008 – V.C. Summer Units 2 and 3 ("Agreement")
2) NND-14-0354, "V.C. Summer Units 2 and 3 Guaranteed Substantial Completion Dates," Dated June 19, 2014

Action: No Action Required; For Information Only

Dear Mr. Jones:

We are in receipt of your letter NND-14-0354 (Reference 2) dated June 19, 2014. As you note, Westinghouse Electric Company LLC (Westinghouse) and CB&I Stone & Webster, Inc. (Stone & Webster) – collectively referred to as the "Consortium" – are in the process of reviewing and updating the project schedule for the V.C. Summer nuclear facility (the "Project") and remain committed to providing a revised Project schedule as required to support Project construction. Due to a variety of factors, including substantial regulatory-driven changes and unforeseeable events, this has required a significant undertaking by the Consortium to fully analyze the impacts on Project construction schedule and mitigate associated schedule delays.

Throughout this process, the Consortium has offered to provide the Owners with information and feedback, as the Consortium appreciates the Owner's need to communicate schedule projections with third parties. However, in mid-April of this year, we were informed by SCE&G that the Owners did not

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"This document is the property of and contains Proprietary Information owned by Westinghouse Electric Company LLC and/or is the property of and contains Confidential and Proprietary Information owned by CB&I Stone & Webster, Inc. and/or their respective subcontractors and suppliers. It is transmitted to you in confidence and trust, and you agree to treat this document in strict accordance with the terms and conditions of the agreement under which it was provided to you."
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require any reports on the schedule until all potential mitigation efforts had been explored. At that time, the Owners understood that the mitigation analysis would not be completed by the end of May 2014.

During a subsequent meeting with SCE&G on May 5, 2014, an e-mail that the Consortium was planning to send to the Owners relating to the ongoing, yet inconclusive, schedule mitigation analyses was discussed. SCE&G concurred with the content, but it was jointly decided that the Consortium would not send the e-mail until mitigation analyses were more complete. It was agreed that the Consortium (i) was in the process of revising the schedule and that this process identified further risks to the schedule, including risks to the CA01, CA03 and U2 CV Ring 2 dates; (ii) will continue its schedule development efforts and communicate the results only after it has evaluated achievable mitigation efforts; and (iii) expects a period of review by Owners before the schedule is considered final. SCE&G also requested that the Consortium present the updated schedule to the Owners on May 30, 2014, assuming the Consortium was ready.

The Consortium was prepared to provide the Owners with updated schedule information during a meeting scheduled for May 30, 2014. However, on May 29, 2014, SCE&G advised the Consortium that the Owners had elected to cancel the meeting. Although mitigation analysis continues, and as stated by the Consortium in a meeting with SCE&G on June 10, 2014, the current schedule shows that the significant dates identified by Steve Byrne in his email to me April 1, 2014, are not reasonably achievable. The Consortium will continue to analyze the schedule and study possible mitigation efforts. We expect to convey a revised integrated project schedule to the Owners on August 1, 2014.

In your letter, you also assert that that the current progress payment schedules are out of sync with the currently anticipated substantial completion dates for Units 2 and 3, resulting in payment schedules that require payment for progress well in advance of when it is actually achieved. This statement is not correct given the nature and structure of the milestone payment schedules in the EPC Agreement (Reference 1). As negotiated and agreed, the milestones identified in certain payment schedules are representative in nature and were designed to allow the Consortium to recover costs for major aspects of the Project work and maintain neutral cash flow. These costs are incurred by the Consortium on an ongoing basis despite a shift in the schedule. However, the Consortium is now negatively impacted because the representative milestone payments cannot be billed while the costs that the representative milestone payments were intended to cover continue to be incurred by the Consortium. This results in a negative cash position for the Consortium such that the Consortium is behind in cash collections by over \$400M as of first quarter 2014 as compared to September 2012 cash flow submission.

In addition, the Consortium is negatively impacted by a schedule shift as it relates to firm price progress payments, which also were designed to cover ongoing Project work. Payment dates associated with these payments were not shifted as part of the 2012 settlement agreement. As a result of any schedule shift that is ultimately determined, the Consortium's Project work is expected to continue beyond the final invoice date stated in the applicable Exhibit to the EPC Agreement.

As noted above, the Consortium is committed to providing an updated schedule to support the Project construction in compliance with the EPC Agreement. We disagree with your general statement that all delays are the result of the Consortium's "performance deficiencies" and reject the statement that the Consortium is responsible for all costs associated with any delays. To the extent the revised Project schedule reflects delays, the mitigation of such delays and allocation of the costs associated therewith as

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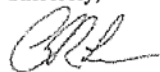
between the Owners and the Consortium will be governed by the requirements of the EPC Agreement. We expect to address any such issues in detail consistent with the terms of the EPC Agreement once the Project schedule review is complete.

Finally, the Consortium does not accept and specifically rejects the assertion that the Owners are entitled to adjust progress payment schedules or refuse to pay or adjust future escalation payments. In this regard, the terms of the EPC Agreement are clear: The Owners' exclusive remedy for a non-excusable delay in completion of the Units is the assessment of delay liquidated damages. If and to the extent a non-excusable critical path delay occurs and ultimately impacts a contractual milestone date, the Consortium will either mitigate or be liable for delay liquidated damages in accordance with the terms of the EPC Agreement. The EPC Agreement does not permit the Owners to make any adjustment to contractual payment schedules or escalation payments required under the contract. To the extent the Owners dispute making such contractual payments, the EPC Agreement provides a mechanism through Article 8.4 to address such issues.

We expect that all parties will abide by the provisions of the EPC Agreement and the Owners will honor the allocations of risk and responsibility reflected in the EPC Agreement. Accordingly, we reserve all of the rights and remedies that Westinghouse and CB&I Stone & Webster have under the EPC Agreement, the 2012 settlement agreement, and at law or in equity.

If you have any questions, please feel free to contact JoAnne Hyde at (412) 374-5650, or the undersigned.

Sincerely,



Christopher R. Levesque
Vice President and Consortium Project Director
Westinghouse Electric Company LLC

JWH/CRL/ceh

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cc: Jeff Archie – SCE&G
Abney A. Smith – SCE&G
Alan D. Torres – SCE&G
Carlette Walker – SCE&G
Robert B. Stokes – SCE&G
April Rice – SCE&G
David Lavigne – SCE&G
Larry Cunningham – SCE&G
Roosevelt Word – SCE&G
Al Bynum – SCE&G
Guy Bradley – SCE&G
Marion Cherry – SCE&G
Joel Hjelseth – Westinghouse
Daniel Churchman – Westinghouse
Daniel Magnarelli – Westinghouse
JoAnne Hyde – Westinghouse
Brian McIntyre – Westinghouse
William Macecevic – Westinghouse
Travis Tomb – Westinghouse
Jeff Coward – Westinghouse
Michael Frankle – Westinghouse
Luke Miller – Westinghouse
David Varner – Westinghouse
Linda Ackerman – Westinghouse
Susan May – Westinghouse
Denise Cervenyak – Westinghouse

Kenneth Hollenbach – CB&I Stone & Webster
Sean Burk – CB&I Stone & Webster
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July 25, 2014

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Cayce, SC 29033-3712

Subject: V.C. Summer Units 2 and 3 Guaranteed Substantial Completion Dates

Gentlemen:

We are in receipt of your letter dated May 6, 2014. Westinghouse Electric Company LLC ("Westinghouse") agrees with SCANA and Santee Cooper ("Owners") that the V.C. Summer nuclear facility project (the "Project") is both significant and of the utmost priority for our respective companies. This Project is being constructed in a challenging, evolving regulatory environment which can result in regulatory changes that create schedule delays and cost. However, Westinghouse is making every effort to partner with Owners to address issues as they arise. We remain committed to continuing to work in a cooperative manner to achieve success for the Project.

To fully address in detail each issue raised in the Owners' letter would require a lengthy discussion of an enormous volume of relevant facts to fairly explain the circumstances surrounding the issues raised and to place all events in the proper context. In addition, those facts would need to be considered in conjunction with the history of the negotiation of our EPC Agreement and its terms. Rather than provide such a response, we will address the various themes raised by the Owners' letter. We are prepared to meet with the Owners to provide further details and address your concerns.

I. Consortium Management and Relationship

First, the Owners have commented on the Consortium's Project management. You cite instances of turnover of each Consortium member's personnel, the Owners' perception of the attitude of the current Project management and the relationship between Stone & Webster and Westinghouse. As everyone is aware, this is a multi-billion dollar, high profile Project that has been underway for approximately six years. On projects of this size, complexity and nature, it is expected that there will be a certain level of turnover in project management due to a myriad of factors. These factors include the rigors of such projects, their location, their significant duration, the nature of the industry, and other similar factors. In our experience, the turnover on the V.C. Summer Project is no greater than that of other similar projects. We continue to employ highly skilled professionals at all levels. We are confident that the changes in personnel have had no negative effect on the progress or cost of the Project.

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Your comment that our current management "seems intent on taking advantage of our cooperative nature" could not be further from the truth. Westinghouse is intent on continuing to provide the leadership necessary to deliver a Project that meets the Owners' expectations while complying with the requirements of our EPC Agreement. Any perception that such efforts are an attempt to "take advantage" of the Owners is without basis. We expect that continued communication will be successful in altering that perception. We suspect that commercial challenges may be a root cause of this perception. If so, we need to address jointly how best to overcome these obstacles so that our mutual cooperation is assured. All parties are entitled to and expected to implement the terms of the EPC Agreement in accordance with its intent and in the best interest of the Project. We expect that the Owners appreciate the need to advance positions in accordance with the terms of the EPC Agreement in order to preserve the allocations of risk and responsibility reflected in that agreement. Furthermore, the Consortium and the Owners should continue to do so without taking exaggerated positions which can have a decidedly negative effect on everyone involved with the Project, as well as public and third party perception.

Your letter also comments on a perceived deterioration of the relationship between Westinghouse and Stone & Webster. Rest assured that the Consortium remains committed to the successful execution and completion of the Project. However, as with any project of this size and complexity, there will always be certain interface issues that will arise from time to time between consortium members and that will create challenges. There is no denying that some issues of this nature have occurred over the course of the Project. However, such issues have not, and will not affect the day-to-day operations on the Project and are being addressed by corporate management to ensure that the Project is insulated from any impacts.

II. Structural Modules

Second, a considerable portion of your letter addresses the fabrication and delivery of the structural modules. Initially, we must clarify that contrary to the assertion in your letter, Shaw Modular Solutions, LLC ("SMS") is not an "affiliate of the Consortium". SMS was not an affiliate of Stone & Webster or Westinghouse at the time of contracting. SMS has a relationship with Stone & Webster today only as a result of certain parent company acquisitions. Regardless, this has no bearing on the issues set forth in Owners' letter.

It must be noted that the module fabrication work has been subjected to regulatory-driven changes and events which have impacted the ability to achieve a consistent and efficient level of production. The August 6, 2012 Settlement Agreement (the "Settlement Agreement") recognizes certain, but not all of those impacts. As the Owners indicate, the terms of the Settlement Agreement place risks for certain schedule delays on the Consortium; however, it does not insulate the Owners from further changes that are compensable under the EPC Agreement which have impacted fabrication of the modules and have caused many of the delays in the delivery of the modules to the Project.

Further please note that the effect of the Settlement Agreement was not to place "sole responsibility" for any future impacts or delays related to the modules on the Consortium. For example, Section IV.D of the Settlement Agreement clearly preserves the Consortium's ability to submit Changes for impacts to the Project Schedule or Contract Price associated with structural modules that meet the requirements of Article 9 of the EPC Agreement. Further, Section XII.D preserves the Consortium's right to Change Orders for the structural modules arising out of Changes in Law that meet the specified criteria. Finally,

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the Agreement very clearly states in Section XII.C that the Consortium expressly reserves any claims that are not within the precise definition of "Released Claims" in Section XII.A.

III. Engineering Issues

Third, the Owners' letter addresses Westinghouse's engineering efforts. We disagree with the assertions in the letter regarding failed expectations and misjudging of our own performance.

The Consortium delivered the major portion of the IFC drawings in the 2011 time frame, as acknowledged in your letter. The issuance of these drawings in the 2011 time frame has facilitated the efforts to procure equipment and construction commodities to support construction. The remaining revision 0 deliverables are primarily in three areas, (1) small bore piping of one inch and less, (2) architectural drawings, and (3) electrical/wiring/termination drawings; all of which are needed in the future to support construction. The Consortium's measure of design completion is based on initial drawing and document issuance. As the detailed design matures, especially in the three areas identified above, the need for additional drawings is identified, thus increasing the total number of deliverables and consequently changing the overall percentage of completion. Contrary to the implication in your letter, these percent-complete numbers are not indicative of any mis-reporting.

Further, as the detailed design matures and is completed, IFC drawings and associated engineering design/analysis evolves and they are revised to ensure that design and safety margins, along with regulatory commitments are satisfied in all functional disciplines, including civil-structural. The ongoing final design reconciliation activities have been impacted by the unexpected compliance interpretations and other regulatory challenges from the NRC.

The regulatory challenges have been magnified in the civil-structural area with the first application of ACI 349-01, where a number of elements of this code are open to interpretation by both the regulator and your structural team, particularly in regard to the information accepted by the NRC during the certification process for DCD Revision 18. To a large extent, ACI 349-01 compliance, as now interpreted by the NRC, has contributed significantly to the number and magnitude of design changes in the civil-structural area. As you are aware, this situation is further exacerbated by the NRC's insistence on including very detailed design information in the DCD certification process, the NRC's interpretation of Part 52, and the NRC's verbatim compliance interpretations of the COL. In spite of these increased regulatory requirements, which have gone above and beyond the requirements and interpretations contemplated in the EPC Agreement and the reasonable expectations of the Consortium, we have made an enormous effort to address and process changes, departures and amendments in a timely fashion to minimize impacts on the construction schedule.

With respect to the Owners' comment regarding the "lack of WEC design maturity" we note that all parties involved were aware that a ready-for-construction design was not yet complete at the time of EPC Agreement execution. All parties were aware that design activity was going to progress while construction was proceeding. In such a situation, particularly with a first-of-a-kind Project, all parties were aware of and should have expected that design development and license amendments would be a normal part of the construction process.

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IV. Schedule

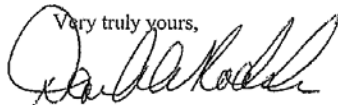
As you know, the Consortium is in the process of reviewing and updating the Project Schedule. The Consortium is committed to providing an accurate and complete schedule required for the construction of the Project and in compliance with the EPC Agreement. We disagree with Owners' general statement that all delays since the Settlement Agreement have "been solely the Consortium's fault." We reject the assertion that any and all delays require mitigation at the Consortium's sole expense. To the extent that the schedule reflects delays, any mitigation of such delays will be governed by and in accordance with the requirements of the EPC Agreement. We will address any such issues in detail and consistent with the EPC Agreement once the Project Schedule review is complete.

V. Denial of Owner's Claims

Finally, Westinghouse denies the Owner's assertion of entitlement to additional site costs and liquidated damages as set forth in your letter. Westinghouse is not shirking its responsibilities under the EPC Agreement and we fully expect all parties to abide by the EPC Agreement's provisions. In that regard, the EPC Agreement expressly provides the Owners with an exclusive remedy for any non-excusable delay in completion of a Unit by allowing for the assessment of delay liquidated damages. To the extent that a non-excusable critical path delay occurs, the Contractor will either mitigate or be liable for delay liquidated damages in accordance with the EPC Agreement's terms. Delay liquidated damages are the agreed, exclusive remedy available to the Owners in the event any such delay occurs. However, the applicable provisions do not permit any "adjustment to the payment schedules" as the Owners' letter claims, nor does the EPC Agreement allow for the recovery of any other additional costs. In response to such assertions, we must state that Westinghouse reserves all of its respective rights and remedies under the EPC Agreement, the Settlement Agreement and at law or in equity.

We remain at your disposal to further discuss the matters set forth in your letter.

Very truly yours,



Daniel L. Roderick
President and Chief Executive Officer

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[SCG] - SCANA Corporation
Second-Quarter 2014 Earnings Conference Call
Thursday, July 31, 2014, 3:00 PM Eastern

Company Representatives

Susan Wright; SCANA Corporation; Director of Financial Planning and IR
Jimmy Addison; SCANA Corporation; CFO
Steve Byrne; SCANA Corporation; COO, SCE&G

Analysts

Mike Weinstein; UBS
Travis Miller; Morningstar
Andy Levi; Avon Capital Advisors
Jim von Rieseemann; CRT Capital Group
Andrew Weisel; Macquarie Capital
Dan Jenkins; State of Wisconsin Investment Board
Michael Lapidus; Goldman Sachs

Presentation

Operator: Good afternoon, ladies and gentlemen. Thank you for standing by. I will be your conference facilitator today. At this time I would like to welcome everyone to the SCANA Corporation conference call.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer period. (Operator Instructions) As a reminder, this conference call is being recorded on Thursday, July 31st, 2014. Anyone who does not consent to the taping may drop off the line.

At this time, I would like to turn the call over to Susan Wright, Director of Financial Planning and Investor Relations. Please go ahead.

Susan Wright: Thank you, and welcome to our earnings call. As you know, earlier today, we announced financial results for the second quarter of 2014.

Joining us on the call today are Jimmy Addison, SCANA's Chief Financial Officer, and Steve Byrne, Chief Operating Officer of SCE&G. During the call, Jimmy will provide an overview of our financial results, an economic update, and information regarding customer growth and usage, as well as regulatory activity. Steve will provide an update on our New Nuclear project. After our comments, we will respond to your questions.

The slides and earnings release referenced to in this call are available at scana.com. Additionally, we post information related to our New Nuclear project directly to our website at scana.com. On SCANA's home page, there is a yellow box containing a link

to the New Nuclear section of the website that contains a further link to project news and updates.

In connection with this process, we have discontinued our practice of furnishing on Form 8-K the quarterly reports that SCE&G submits to the Public Service Commission of South Carolina and the South Carolina Office of Regulatory Staff. Instead, the Company now posts copies of these reports on the SCANA website.

Please note that we have recently added an Other Investor Information link to the yellow box. The new Other Investor Information section of the website contains a link to recent investor-related information that cannot be found at other areas of the website. It is possible that some of the information that we will be posting from time to time may be deemed material information that has not otherwise become public.

In addition, I want to remind you that you can sign up under the Investor Relations section of scana.com for e-mail alerts for financial reports and press releases. You can now also sign up for e-mail alerts when there is a new posting in the New Nuclear and/or Other Investor Information yellow box.

Finally, before I turn the call over to Jimmy, I would like to remind you that certain statements that may be made during today's call are considered forward-looking statements and are subject to a number of risks and uncertainties as shown on slide 2. The Company does not recognize an obligation to update any forward-looking statements.

Additionally, we may disclose certain non-GAAP measures during this presentation, and the required Reg-G information can be found on the Investor Relations section of our website.

I'll now turn the call over to Jimmy.

Jimmy Addison: Thanks, Susan, and thank you all for joining us today. I'll begin our earnings discussion on slide 3.

Basic earnings in the second quarter of 2014 were \$0.68 per share compared to \$0.60 per share in the same quarter of 2013. Please note that the Electric Weather Normalization pilot ended in December of 2013 and the Company's financials are now impacted by abnormal weather in our electric business. Accordingly, the improved results in the second quarter are attributable to increases in electric margins due to abnormal weather, a Base Load Review Act rate increase, and customer growth, along with higher gas margins.

These increases were partially offset by expected increases in operations and maintenance expenses and CapEx-related items, including property taxes and share dilution.

Please turn to slide 4. Basic earnings per share for the six months ended June 30, 2014 were \$2.05 versus \$1.73 in 2013. Increases in electric and gas margins were partially offset by higher expenses and dilution related to our capital program.

Now I'd like to speak about our operation and maintenance expenses for the year. As we've previously mentioned, a strategic goal going forward will be to manage our base retail electric business to prevent the need for base rate increases during the peak nuclear construction years.

One of the instruments in achieving this goal is O&M cost control. We estimated O&M would grow approximately 3% in 2014 and we continue to have confidence in that estimate. Please note, under provisions of a regulatory order related to our DSM programs, we reduced second-quarter O&M by \$5 million, so year to date we're very close to our plan.

Now on slide 5 I'd like to briefly review results for our principal lines of business. South Carolina Electric & Gas Company's second-quarter 2014 earnings, denoted in blue, were up \$0.07 compared to 2013, driven largely by increases in electric margins which were due primarily to \$0.06 of abnormal weather, a Base Load Review Act rate increase, and customer growth, as well as higher gas margins. These increases were partially offset by increases in O&M expenses, as well as expenses related to our capital program, including property taxes, depreciation, and share dilution. Year to date, basic earnings were higher by \$0.28, due primarily to higher electric margins.

PSNC Energy's earnings for the second quarter of 2014, shown in red, increased \$0.01 per share over the second quarter of 2013, primarily due to increased margins from customer growth. For the six-month period ended June 30, shown in red, basic earnings were also up \$0.01 per share, consistent with the quarter.

SCANA Energy, our retail natural gas marketing business in Georgia, in green, reported a seasonal loss for the second quarter of \$0.02 per share, consistent with the second quarter of 2013. Year-to-date earnings are \$0.13 per share compared to \$0.14 per share in the prior year.

SCANA's Corporate and Other businesses reported a loss of \$0.01 per share in the second quarter of 2014, consistent with the second quarter of the prior year. For the six-months period, these businesses reported basic earnings per share of \$0.08 in 2014 compared to \$0.04 in 2013.

I would like to touch on economic trends in our service territory on slide 6. We continue to see new business growth and expansion of existing businesses. So far in 2014, companies have announced plans to invest approximately \$400 million, with expectations of creating over 4,000 jobs in our Carolinas territories.

The Port of Charleston continues to see increased traffic and finished its June 2014 fiscal year with container volume up 8% over 2013. As I've mentioned in the past, it's

estimated that one in every five jobs in South Carolina is related to Port volume. This increased traffic is a very good sign for the local economy.

At the bottom of the slide you can see the national unemployment rate along with the rates for the three states where SCANA has a presence and the FCE&G electric territory. South Carolina's unemployment rate is now at 5.3% and the rate in SCE&G's electric territory is estimated at 4.8%.

Slide 7 presents customer growth in electric sales. On top of the slide are the customer growth rates for each of our regulated businesses. We continue to see strong customer growth in our businesses and in the region. SCE&G's electric and gas growth rates as of the end of June are 1.4% and 2.3%, respectively. Our regulated gas business in North Carolina also added customers at a 2.3% rate.

The bottom table outlines our actual and weather-normalized kilowatt-hour sales for the 12 months ended June 30, 2014. Overall, weather-normalized total retail sales were up 0.5% on a 12-month-ended basis.

Now please turn to slide 8, which recaps our regulatory rate base and returns. The pie chart on the left presents the components of our regulated rate base of approximately \$8.3 billion. As denoted in the two shades of blue, approximately 85% of this rate base is related to the electric business.

In the block on the right you will see SCE&G's base electric business, in which we're allowed a 10.25% return on equity. The non-GAAP earned return for the 12 months ended June 30 in the electric business is approximately 10%, meeting our stated goal of earning a return of 9% or higher to prevent the need for non-BLRA-related base rate increases during the peak nuclear construction years. We are very pleased with the execution of our strategy.

Continuing down the page, on our New Nuclear business we're allowed an 11% return on equity. We have had incremental CWIP in the last year of approximately \$595 million and, as Steve will discuss shortly, we filed our latest Request for Revised Rates back in May.

Our regulated gas businesses in the Carolinas continue to perform well. We are allowed a return on equity of 10.6% and 10.25% in North and South Carolina, respectively, and we continue to operate these businesses close to those returns.

SCE&G's gas business returns are measured each year through the Rate Stabilization Act. We expect a small decrease effective November 1 to adjust the ROE to 10.25%. This decrease should be approximately \$3 million on an annual basis.

Slide 9 presents our CapEx forecast, which has not changed from what was presented at Analysts Day. This forecast reflects New Nuclear spending as reported in our latest BLRA quarterly report filed in May.

At the bottom of the slide is our anticipated incremental CWIP from July 1 through June 30 for each period on which the BLRA increase is calculated.

Now please turn to slide 10 to review our estimated financing plan through 2018, which has also not changed since our presentation at Analysts Day. On May 27 of this year, SCE&G issued \$300 million of 50-year bonds at 4.5%. On the equity side, we continue to target 52% to 54% equity levels at the operating company, SCE&G.

While we estimate incremental equity issuances of \$425 million above the 401(k) DRIP proceeds, it's unlikely that the issuances will occur exactly as presented in this slide. We have not decided how or when these additional equity financings will occur, as they are subject to the changes in the funding needs for planned project expenses.

However, based on cash flows to date and planned construction payments, it is getting less likely that we will need to issue any equity in 2014 to meet our targeted cap structure.

Now, on slide 11, we are reaffirming our earnings guidance of \$3.45 to \$3.65 basic earnings per share, along with our internal target of \$3.55 per share. Weather has obviously contributed significantly to earnings year to date. We will reevaluate our guidance after the third quarter, our most significant quarter for electric earnings.

Our long-term outlook remains unchanged as we plan to deliver 3% to 6% earnings growth over the next three- to five-year period. We continue to estimate that our effective tax rate for 2014 will be approximately 32%.

I'll now turn the call over to Steve to provide an update on our nuclear project.

Steve Byrne: Thanks, Jimmy.

I'd like to begin by discussing some of the activities at the New Nuclear construction site. Please turn to slide 12, which presents an aerial view of the New Nuclear site that was taken back in May.

In the middle you can see the heavy-lift derrick, or HLD, and the tracks that it uses to travel 360 degrees in a circle. The Unit 2 and Unit 3 excavations can be seen to the left and the right of the HLD. In the upper-right-hand section of the slide you can see some of the cooling towers. Cooling towers 2A and 3A are structurally complete and we are working on conduit power cables and other commodities now.

Just below the cooling towers you can see the module assembly building, or MAB, where the Unit 2 module CA-20 was recently completed and moved out, and where assembly of module CA-01 is currently taking place.

Since this photo was taken, there have been some significant changes in the nuclear island from both of these units, as we discussed during our Analyst Day event, and I will recap shortly.

On slide 13 you can see pictures of the Unit 2 nuclear island. In the upper-left-hand corner you can see the containment vessel lower bowl that was placed inside the CR-10 module, or support cradle. In early May we placed CA-20, a roughly 2 million pound structural module, using the heavy-lift derrick. On the right-hand side of the slide you can see it placed next to the containment vessel lower bowl.

On the bottom left of the slide, you can see where the first ring section of the containment vessel was set on the lower bowl. This ring section weighs approximately 900 tons and is made of 1¼" steel. Here you can also see the large equipment hatch openings. The smaller openings are personnel hatches.

On slide 14 you can see pictures of the Unit 3 nuclear island. On the left of the slide, you can see where the CR-10 module is built on the base mat. On the right side of the slide, you can see the containment vessel lower bowl has now been set.

Slide 15 shows a schematic of the turbine building that illustrates how the various turbine building modules will look when completed. All of these modules have now been placed in their final locations.

Turning to slide 16, you can see a picture of the Unit 2 turbine building. Comparing the schematic on the previous slide you can see all the previously mentioned modules have been completed and placed on the turbine building base mat, as well as progress being made on the structural steel for the surrounding turbine building itself.

On slide 17 you can see a feed water heater being placed inside the condenser.

Slide 18 shows the turbine building basement. The condensate pumps, drain coolers, and circulating water outlets from the cooling towers are clearly visible.

Slide 19 shows a few of the components that have arrived on site. On the top left you'll see a picture of the Unit 2 generator stator stationary component. The generator converts the mechanical energy from the turbine rotation into electrical energy.

On the top right you see the Unit 2 main transformer, sometimes referred to as the generator step-up transformer, or GSU. This transformer increases the voltage from the main generator to the 230,000 volts that you find in the switchyard.

On the bottom left you see the Unit 2 core makeup tank, which is a part of the passive cooling system. On the bottom right you see Unit 2 water boxes. Cooling water flows into these water boxes and then through the condenser tubes to cool exhaust steam from the turbine.

Slide 20 shows more components arriving on the site. The left-hand side is the integrated reactor head package, which allows for rapid removal during refueling. Top right shows auxiliary transformers, and bottom right are the non-safety-related diesel generators. These diesel generators are supplied but are not needed to mitigate an accident.

On slide 21 you can see even more arrivals on site by rail. These are the Unit 3 turbine casings.

On slide 22 you can see a picture of the Sanmen plant in China from back in May. And at this point they are approximately two years ahead of us in construction. Here you can see both of their AP1000 units really starting to take shape.

On slide 23 you'll see the New Nuclear CapEx actual and projected over the life of construction. This chart shows the CWIP during the years 2008 to 2018 as reflected in the May 2014 Base Load Review Act, or BLRA, Quarterly Report.

As you can see, the next several years are considered the peak nuclear construction period. The green line represents the related projected customer rate increases under the BLRA and are associated with the right-hand axis. As we stated during our last call, the incremental 5% future acquisition of the New Nuclear project from Santee Cooper will not affect these projected BLRA increases.

Please now turn to slide 24. As discussed at Analyst Day, we filed our BLRA Quarterly Status Update for the first quarter of 2014 in May, as well as our Annual Request for Revised Rates under the BLRA. The Office of Regulatory Staff has completed their review of our request and is recommending to the Commission a \$66.2 million revenue increase, a rate increase of about 2.82%. We concur with their recommendation and anticipate the requested increase in rates effective November 1.

On slide 25 you'll see a breakout of total New Nuclear project costs. On the far right you can see the project costs as filed in the May 2014 BLRA report. Project costs are currently under-running the original approval received from the Public Service Commission of South Carolina. As you can see, this change is largely attributable to the lower escalation.

That concludes our prepared remarks. We'll now be glad to respond to any questions you might have.

Questions & Answers

Operator: (Operator Instructions) Julien Dumoulin-Smith; UBS.

Mike Weinstein: Actually, it's Mike Weinstein. Could you -- I noticed the slide that usually talks about the different modules, their expected on-hook dates, is not in the slide deck. I was just wondering if you could provide an update on that.

Steve Byrne: Sure. This is Steve. As we've said before, we're awaiting a new integrated project schedule from the consortium. We anticipate that yet this quarter. And until we get that I don't want to put out dates that I might have to revise once again. So we're kind of waiting for those dates to come back in before we start revising any of those charts.

Mike Weinstein: Got it. And in terms of the equity needs and the fact -- the possibility that you might not have to issue any equity this year, is that related more to the strong weather-related results this year? Or is it more -- is it because of delayed spending? What's the factor there?

Jimmy Addison: It's a combination of both, Michael. I'd say it's probably slightly more related to the construction schedule than it is the weather. But certainly both are big contributors.

Mike Weinstein: Okay. Thank you very much.

Operator: Travis Miller; Morningstar.

Travis Miller: As a follow-on to that second question somewhat, wonder if you could quantify the amount of cash that you've gotten from those weather benefits and kind of how that would play into those equity needs. Is it as simple as just taking the incremental earnings there and multiplying it by shares outstanding? Or is there some way to quantify the cash?

Jimmy Addison: Well, it's pretty straightforward like that. So it's basically the earnings per share times the shares outstanding. But I'll kind of make that easy for you; it's about \$35 million or so year to date. And of course you'd have to net it of tax, given the slight difference in timing of when you pay the taxes. But that part alone is roughly \$20 million.

Travis Miller: Okay. So is that where when you talk about the weather not being the complete reason for the delay in the equity issuance, it's a relatively small amount?

Jimmy Addison: That's right. But I've been saying for quite a while that if we did need equity in 2014 at the earliest it would be the end of the year. So this is not a radical change in the message.

Travis Miller: Okay, great. And then, on the escalation costs, what's the big driver there that's been taking that down so much relative to the expectation?

Steve Byrne: Well, our escalation is tied to an index. And when we had our Base Load Review Act hearings back in 2008 we had to specify the index. And we picked the Handy-Whitman Index and it just continues to come back lower each six-month update.

Travis Miller: Is that an inflation-type issue or is there something else?

Steve Byrne: Well, it's low inflation but it really looks at costs specifically by sector. And then one of the indices we use is specific to nuclear. So it's just a reflection of the fact that the terrible economy, or the rebound from that economy, has not resulted in high inflation. So early on it was the impact of the poor economy. And now we're not seeing a rebound in inflation. So, so far it's been a very positive impact on the project.

Travis Miller: Okay, great. Thanks a lot.

Operator: Andy Levi; Avon Capital Advisors.

Andy Levi: Just two quick questions; one is fairly simple. In the first quarter you had given quarterly numbers as far as sales. In this quarter you didn't. Is it possible to get just kind of on a weather-normalized basis, residential, commercial, industrial sales, the actual growth?

Jimmy Addison: We have traditionally just offered the 12-month moving average because it tends to take some of that volatility out. We did provide that for the first quarter just for the quarter.

But I would say for just the residential, if you looked at it alone just for the quarter, it was down about twice of what the 12-month moving average is, just continuing to show that volatility. So we had a couple of quarters where it's been up. This quarter it's been down a little. And it just continues to show that volatility out there. Overall it was down about 1% for the quarter.

But we prefer and we pay attention internally to the 12-month moving average.

Andy Levi: And that's weather-normalized that you're talking --

Jimmy Addison: That's right. Yes.

Andy Levi: Because I remember the first quarter you had -- again, the weather was so weird in the first quarter it's hard to kind of figure out what the real weather-normalized number is.

Jimmy Addison: Well, it was a little weird in the second quarter, too. It was over 40% higher than the normal cooling-degree days in the quarter. So we had a cold first quarter and a hot second quarter.

Andy Levi: Okay. Because here we didn't experience that, and you're not that far away.

Jimmy Addison: Right.

Andy Levi: And then the second question, I guess -- I don't know if Steve wants to answer it. And I asked [Southern] the same question, so as I said, I apologize for the question, but just kind of need to ask anyway. So, with CB&I we've noticed the stock

has come down quite a bit on various research reports relative to their finances. And I'm just kind of curious what your thoughts are on that -- and not specifically on their finances, but just whether we should be concerned or you have any concerns on the financial health of CB&I. The stock's off, like, 35% in the last two months. And whether you've had any discussions with them relative to their... you know, making sure everything's all right and whether it has affected operations at all.

Steve Byrne: Well, let me understand, Andy. You're saying I have a choice as to whether or not I answer the question?

Andy Levi: I didn't say a choice. You could always have a choice to whether to answer the question. I just feel bad about asking, but just feel that I need to.

Steve Byrne: Yes, well, I can only tell you what we see on the project level. So I can't really speak to their financing, their stock price. What we see at the project level is a continued commitment to do whatever it is they need to do to rectify the situation that we've gotten into with module deliveries, including outsourcing of some of those modules for the second unit to other places, which obviously is going to increase their cost in those modules.

So they're doing the right things from our perspective and we haven't seen any impact at the site level.

Andy Levi: So operationally everything's good?

Steve Byrne: That's correct.

Andy Levi: Great. Thank you.

Operator: Jim von Riesemann; CRT Capital.

Jim von Riesemann: I have a couple questions. First one -- they're two softballs, okay? The first one is on this pension legislation that's weaving its way through Congress. For those who are fully funded there's an ability to take out some cash. Does that affect you if it's actually -- becomes law? Do you know?

Jimmy Addison: I do not know the answer to that. But I highly doubt that we would plan to take any cash related to that. We're in a situation where our plan is fully funded, as you're alluding to. We've got a strategy to continue to de-risk that plan over the next several years by moving more into fixed income over the next several years. So we're satisfied -- we're pleased with where we are.

Jim von Riesemann: Okay. And the second question relates to the whole schedule with the consort- -- the resolution of the construction consortium dispute. I thought originally you guys might come out with updated timing and how that resolution was on or around September 30. Is that still a good date?

Steve Byrne: Yes, I think what we said is that we anticipate the consortium coming to us with the schedule this quarter and that that would kick off for us a negotiation process both on the duration of the schedule and their means and methods.

So what I think they're going to be looking for from us is -- here's how we see it going from here on out based on all of the factors we've seen so far -- module deliveries, craft productivity, other supply chain issues, weather, whatever you want to factor in. And then say -- does this look reasonable and, based on your experience, are there things that we could change in order to expedite the schedule?

So I haven't see it yet. I anticipate seeing it soon. But, again, that's going to kick off a negotiation [phase] for us. So I wouldn't call it final till we're finished with that negotiation.

Jim von Riesemann: So, I'm a little confused. So negotiations have not started. Right, Steve?

Steve Byrne: That's right. That's correct.

Jim von Riesemann: Okay. And then, you're going to be silent until you have a final deal in hand with them? Or are you going to give us some metrics along the way that you're either entering negotiations or here's what they're proposing and now we're entering negotiations. Just so we can kind of bookend this issue.

Steve Byrne: Yes, I think it -- one, it's going to depend on what I see from them.

Jim von Riesemann: Okay.

Steve Byrne: And then, we're going to be working on -- if they give me something I don't like, what could be the possible cost implications of that? And then what kind of mitigation things could they propose or we propose? That's what I mean by the negotiations.

And, again, I expect to get it this quarter. Will we go silent? I don't know that I'm going to be discussing it until I see it. It's going to be more final. If we have any kind of disclosure issue that might crop out of this, obviously as soon as we think something is solid, even if we don't have something fully negotiated, we'll disclose it.

Jim von Riesemann: So if they -- so I'm just thinking out loud here, but if they come back and instead of being a \$200 million dispute it's, call it, pick a number, \$400 million, does that change in terms of -- I mean, is that a disclosure issue right away for you guys, that you'd have to say the dispute number is now \$400 million or something? Just so we can understand what's going on.

Steve Byrne: Yes, well, I think from a disclosure perspective I think what we'd have to do is -- we'd have to evaluate whether we think that's real number or not. And, remember, we put the \$200 million number out there -- not that that was a consortium number. That was just our estimate of the delay that they gave us on the commercial operation dates. I think it was just prior to our Analyst Day last year. So that would have been about June of 2013.

So with this new fully integrated project schedule they're factoring a lot more things in. They're even looking at engineering completion. They're factoring in assistance they might get from outside, a parent company like Toshiba for Westinghouse, for example. And that's what I anticipate that they're going to give me. And when I first see it, I'm just not going to be in a position to say -- here it is.

Jim von Riesenmann: Okay.

Steve Byrne: Because I want to, one, digest it and, two, see if we agree. So what I anticipate is -- what a contractor will typically do is they'll give you something that's kind of out of bounds, anticipating that you'll negotiate something different. So I don't think this is going to be any different than that.

Jim von Riesenmann: Okay, but do you think it will be -- and I hate to use this term -- kitchen sink, meaning they'll give you everything at this time instead of piecemeal? Is that what you're expecting, at least that's your expectation?

Steve Byrne: I think on the schedule they'll give me everything. And we may have some decisions to make at that point as to paths we may go down, mitigation paths we may go down. And so any kind of a cost implication, one, it would have to be negotiated. And, two, it might depend on which path we choose.

Jim von Riesenmann: Okay.

Steve Byrne: So it is -- I'm not trying to deliberately avoid answering the question, but it is a dynamic situation. I've got to see what I have to start with. Anticipate that before the end of the quarter. And then we'll have our team evaluate it along with their team. And we'll negotiate to something final. And I'd love to be able to say we'll have that on X date, but I just don't know what X date is.

Jim von Riesenmann: Okay. And then, just I guess the last question with all this. I'm sorry to beat this to death. Once you get that, what's the process mechanically, going to the Commission for approval of the new costs, whatever they might be? How does all that work?

Steve Byrne: Yes. So under the Base Load Review Act, we go back in annually just with an update on the project. And that will be in an ex parte fashion. And then, if we have a change to the approved schedule or cash flows, then we would go in with a filing.

So we'd make a filing before the Commission. And it would be a full-fledged hearing before our Public Service Commission.

Jim von Riesenmann: Okay. So and then -- I mean, then an expected timeline, how long do you think that would take?

Steve Byrne: Generally, from the time we file it'll be a few months before the hearing. And then there's a -- I can't remember if -- ordinarily, let's say if it were a rate case, it's six months from the time we file until the time they have to render an opinion. I'm not certain, as we sit here, whether that's the case for the Base Load Review Act or not. But generally they don't deviate from that too much.

Jim von Riesenmann: So that won't be a separate -- would that be a separate proceeding to the BLRA review with the annual cost, or that be rolled into the 2015 recovery petition?

Steve Byrne: Okay. Now remember, when you're saying [a cost,] we're just giving an ex parte briefing to the Commission if we're not asking for anything additional.

Jim von Riesenmann: Okay.

Steve Byrne: So if we go -- if we were to go in, we might roll our ex parte briefing into that case, in which case we wouldn't go back again. But we will make an ex parte briefing at some point this year, because we haven't done it yet. And if we decide we need to make a filing and that's this year, we could roll it in. If it rolls into next year then we'll do the ex parte this year and we'll do the filing next year.

Jimmy Addison: And, Jim, let me just add, if you're asking if it's separate from our annual BLRA rate request and the increase each November, yes, it'd be separate from that.

Jim von Riesenmann: That's the question I was asking. Okay. Thanks, guys. Appreciate the time.

Operator: Andrew Weisel; Macquarie Capital.

Andrew Weisel: Just a couple questions on the near-term trends. First of all, how has the weather in July been shaping up for you down there?

Jimmy Addison: It was rather warm the first part of the month and then abnormally cool the latter part. Overall, just anecdotally it's been fairly normal. But you wouldn't have thought that if you were here at any one point in time.

Andrew Weisel: Okay. The reason I ask is when I look at the year-to-date trend and the rolling 12 months I'm a little surprised that you're still sticking with the internal target of \$3.55 rather than moving that toward the higher end. Are there any specific items in the second half that might be a drag year over year? Or is that just being conservative?

Jimmy Addison: The only thing is, the summer quarter, this third quarter, is the peaking quarter in the electric business. So we get that quarter under our belt before we ever consider kind of reevaluating those targets.

Andrew Weisel: Sure. Okay. And then, in terms of the equity of \$100 million for this year, did the original guidance range assume that would be later in the year as you've described? Or was the guidance range kind of assuming more of a distribution throughout the year?

Jimmy Addison: No, it's the former. It presumed an end-of-year issuance, so it had very little effect, if anything, on the weighted average shares outstanding and therefore on the EPS.

Andrew Weisel: Okay. Now, if that doesn't get pulled before the end of the calendar year, should we assume that would be an additional \$100 million early next year? Or would that be lowered by the amount of this year benefiting from weather and whatever else might be driving you toward the higher end of guidance?

Jimmy Addison: First, let me say it's all dependent upon all of these questions that have been asked of Steve earlier. So if there's an impact from the construction schedule and timing of construction payments, it will certainly impact the CapEx and therefore the financing.

But if it's moved into 2015 and everything else were consistent, it would be probably in addition to 2015.

Andrew Weisel: Okay.

Jimmy Addison: Instead of \$125 million in 2015, \$225 million.

Andrew Weisel: Got it. Okay. Then lastly, just on the usage, it's been pretty consistent, the 12-months average of about 0.5% in weather-adjusted versus the account growth of more like 1.25%. Any change in your view about the drag from conservation to energy efficiency?

Jimmy Addison: No, not really. I think we've -- one of the -- there's a lot of efficiency going on across the board, from HVAC to CFL bulbs, et cetera. And our best estimates are that we're past the midpoint on the saturation of the CFL, from the latest information I've seen. But those are estimates. We don't have a precise inventory, obviously. So I'd say we're kind of moving past that point.

Customer growth continues to slowly tick up on new customers added. All the indications are around the economy that it continues to pick up from the industrial recruitment side, continued announcements that translate ultimately into jobs and

12 to 36 months that translates into customer residential growth. So we continue to feel good about those and I guess no real view change on the efficiency outside of the light bulb standards.

Andrew Weisel: All right. Thanks a lot.

Operator: Dan Jenkins; State of Wisconsin Investment Board.

Dan Jenkins: So I wanted to just follow up on what you were just talking about a little bit. Given that you've showed year-over-year customer growth in the electric side of 1.4, yet it looks like for the residential and commercial the weather-adjusted volume was still down by 0.75% to 1%. Is that kind of -- how should we think about that going forward? Is that kind of the new steady state? Or given that, how will customer growth translate into volume growth?

Jimmy Addison: I think it's difficult to project. And that's why we've spoken consistently the last several quarters that we don't get too hung up when we have a good quarter or two in a row, like we did in Q4 and Q1, and we don't get too concerned when we see a slight downtick here in Q2 in that residential category specifically.

One other thing I would say is the last couple of quarters in particular have been extreme weather -- extreme cold in Q1, extreme warm, over 40% cooling degree days above normal in Q2. And that makes it difficult to really determine exactly how much of the margin change is due to weather and how much is due to non-weather-related consumption.

So I know one of the earlier questions was about let's get precisely into Q2 numbers, et cetera, as to the margins non-weather -- it's really difficult to get that precise. We can put a number down to the right side of the decimal, but if you start drawing any long-term conclusions about that all you can assure is that you're probably not going to hit it. So I'd just caution you to kind of step back from that a little bit and try not to project a whole lot around it.

What I do know is if you look at those unemployment rates, that's real, and that's what usually translates into people's confidence, is their personal budgets. And we're real encouraged by what's going on with industrial recruitment and ultimately with jobs.

Dan Jenkins: Okay. Kind of related to the industrial, given the projects and activity you're seeing, do you expect the 3.7 area to be a reasonable growth rate for the second half as well then?

Jimmy Addison: 3.7 -- ?

Dan Jenkins: Of industrial --

Jimmy Addison: Oh, yes. Our industrial base is very diverse. We don't have anything more than 25% in any one sector. So there's a lot that goes into that. That's not something you can just model and project it linearly. But each customer is unique and we put together our plan based upon working with each of those industrials. It's hard to predict that. I wouldn't get that precise on the 3.7.

Dan Jenkins: Okay. So going back to the nuclear build, so what are the key critical path items that you'll be working on in the third quarter here that we'll see, should anticipate talking about in October? Is it the CA-5 and CA-1 or what are the items we should be focused on?

Steve Byrne: Yes, the module construction of AP1000 units really has about six big -- they call them the Big Six structural modules. That's CA-01, 2, 3, 4, 5, and 20. So 20 was set, so the next big ones are going to be 5 and 1; 4 was set also. So 20 and 4 are behind us. So I think it's 5, then 1, then 3. Those are kind of the next things.

We're working on the ring sections for the containment vessel. So we placed one ring on top of the containment vessel lower bowl for Unit 2 and we're working on ring sections for both Units 2 and 3. So continue with those.

We continue to receive parts and pieces from all over the world. Received Unit 3 moisture separator reheaters last week. So those parts continue to come in and we're looking for where we're staging them, where we're storing them.

We continue to work the turbine building for Unit 2 and anticipate that at some point soon we'll pour the base mat for the turbine building Unit 3. So in general the Unit 3 stuff, as you might expect, is going a little bit better because we learned lessons on 2 and they get faster for 3. But the Unit 2 stuff is the critical modules that you talked about.

Dan Jenkins: Okay. Thank you.

Operator: Michael Lapides; Goldman Sachs.

Michael Lapides: Just a couple of questions. In your earnings release, you don't give a balance sheet or cash flow statement. So just curious, if I look at slide 9 and the CapEx forecast for 2014, where are you year to date relative to that forecast, meaning that \$1.5 billion number? If you -- are you, hey, you spent almost half of that in the first six months of the year? Are you running north of that, south of that? I'm just trying to think through uses and sources of cash for the year.

Jimmy Addison: Yes, Michael, I don't have the exact dollars in front of me. But we are slightly behind that CapEx budget, at this point I'd say probably about 10%. What I don't now right offhand is how it falls out in buckets by month or by quarter. But we're slightly behind that CapEx budget to date, but not significantly.

Michael Lapides: Got it. And that implies then on the nuclear component of it, that \$805 million, you're kind of running at close to half that level for the year to date?

Jimmy Addison: I just don't know that. We made the filing -- let's see. You see down below the 2014 number in the blue box at the bottom says there's \$595 million to occur by June 30 of that \$805 million. And so we made our filing with the BLRA and we ended up slightly less than that, so not a great deal of change there.

Michael Lapides: Got it. Okay. Very helpful. And just curious; I want to make sure I understand some of the rate changes that are happening. So \$66 million revenue increase tied to the BLRA that starts November of this year. And then the \$3 million I think you were talking about on the gas business, that's the SCE&G gas business and it's a \$3 million annualized rate decrease that starts in November?

Jimmy Addison: That's right.

Michael Lapides: Okay. Got it. And then, last question, just trying to think about weather normalization. So second quarter I would assume all the uplift is on the electric side. The first quarter, is there a way to break apart how much of that weather benefit was North Carolina electric versus South Carolina electric versus maybe SCANA Energy and even South Carolina gas?

Jimmy Addison: We don't have a North Carolina electric company, so that (multiple speakers) --

Michael Lapides: I mean, North Carolina -- you know what I meant -- North Carolina gas. My bad.

Jimmy Addison: There's not a significant amount. The mechanisms that we have in South Carolina gas account for weather normalization as well as the utilization tracker in North Carolina accounts for weather. So the short answer is, is very, very little would relate unless those mechanisms aren't completely, 100% picking it all up. But that's the intention in the formulas. So really all of it was related to electric.

Michael Lapides: Got it. That makes sense. Jimmy, thank you. I appreciate your taking the time.

Operator: (Operator Instructions) Julien Dumoulin-Smith; UBS.

Mike Weinstein: It's Mike again. One last question about the cost estimate and the dispute. The \$200 million -- and you were talking about how it could possibly be increased as a result of other things that might come in. Is it your understanding -- how much of that is target costs? I guess target costs would be stuff that could escalate and could be the responsibility of the purchaser, you? And how much of it is fixed and would be considered the responsibility of the consortium? The reason I ask is only because I know that regulators are expecting that most of these costs would be fixed.

Steve Byrne: Mike, I don't know that we have a breakdown of that. And, again, until I see it I won't know what it is exactly. But certainly there will be some in each of those buckets. And also, I would anticipate that some of it would be in escalation costs. So the escalation could be spread over all of the buckets. And then, obviously, we may dispute some of those, as we indicated, with the \$200 million. We talked about that almost a year ago.

So some will be in just increased owner's cost. So if I have people there for extra periods of time I'm not going to back off on the hiring, because I really need the staff. Hiring is going pretty well and we're able to get good quality people and I don't want to turn that spigot off. So if those folks are there for a longer period of time that would be higher owner's cost.

If the consortium has folks there for longer, that would be in the (inaudible) bucket. I mean, otherwise it's really looking like escalation.

So it's not per se the fixed pieces, but it would only be that small amount of escalation on the fixed pieces that might change.

Mike Weinstein: Okay. All right, well, thank you very much.

Operator: And this concludes our question-and-answer session. I'd like to turn the conference back over to Jimmy Addison for any closing remarks.

Jimmy Addison: Well, thank you. And to summarize, we're very pleased with our results through midyear. We remain on track to meet our earnings targets and our New Nuclear construction project continues to progress. We thank you all for joining us today and we thank you for your interest in SCANA. Have a great day.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

SCG - SCANA Corporation Management to Discuss New Nuclear Construction Schedule
Conference Call/Webcast
Monday, August 11, 2014 3:00 P.M. Eastern

Officers

Jimmy Addison; SCANA Corp.; CFO
Steve Byrne; SCANA Corp.; SVP, SCE&G COO & President Generation & Transmission

Analysts

Paul Patterson; Glenrock Associates; Analyst
Jim von Riesenmann; CRT Capital; Analyst
Andrew Weisel; Macquarie Capital; Analyst
Michael Lapidus; Goldman Sachs; Analyst
Ashar Khan; Visium; Analyst
Andy Levi; Avon Capital; Analyst
Mark Barnett; Morningstar; Analyst
Craig Lucas; Nexus Asset Management; Analyst

Presentation

Operator: Good afternoon, ladies and gentlemen. Thank you for standing by. I will be your conference facilitator today. At this time, I would like to welcome everyone to the SCANA Corporation conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer period. (Operator Instructions)

As a reminder, this conference call is being recorded on Monday, August 11th, 2014. Anyone who does not consent to the taping may drop off the line.

At this time, I would like to turn the call over to Jimmy Addison, SCANA's Chief Financial Officer.

Jimmy Addison: Well, thank you, and good afternoon and we appreciate you joining us. We wanted to discuss with you a disclosure that we're going to make in our 10Q, which will be filed later today.

We have received preliminary information from the Consortium on the new nuclear construction schedule. We had not received this information prior to the second-quarter earnings call or we would have discussed it at that time.

Certain statements that may be made during today's call are considered forward-looking statements and are subject to a number of risks and uncertainties. Please refer to slide 2 from our second-quarter earnings call presentation, which can be found in the investor relations section of our website, to review our safe harbor statement.

I will now turn the call over to Steve to share with you what we know at this point. We

will be glad to take your questions at the conclusion of Steve's remarks.

Steve Byrne: Thanks, Jimmy. As we have previously discussed, the Consortium began working on a full rebaselining of construction schedules for Units 2 and 3 at V. C. Summer in late 2013. They recently provided us with a preliminary integrated project schedule, or IPS, indicating that they now expect the substantial completion of Unit 2 to occur in late 2018, or during the first half of 2019, with Unit 3 being substantially complete approximately 12 months later.

It's important to understand that this information is preliminary and this range of dates does not reflect all the possible mitigation efforts, nor have we accepted this new timeline.

The preliminary information received from the Consortium did not include any cost estimates. We anticipate that we will receive the cost estimates later this quarter.

The next step for us is to have our team review the schedule information, to validate assumptions, and work with the Consortium to reconcile any differences. After that, we will start the negotiation process on cost and entitlement. Our goal is to conclude this process by the end of the year.

We have completed 100 of the 146 construction milestones associated with the project. However, from the preliminary information received, the completion dates for a number of the remaining 46 construction milestones are now expected to extend beyond the 18-month schedule contingency allowed by the Public Service Commission of South Carolina.

As a result, once the rebaselining and the finalization of the revised schedule and any changes to the estimate of cost are complete, we expect to petition the Public Service Commission for an order to update the construction milestone and capital cost schedules.

The Base Load Review Act, or BLRA, provides that the Public Service Commission would grant the petition as long as it is determined that the change is not the result of imprudence on our part.

We'll now be glad to take your questions.

Questions and Answers

Operator: We will now begin the question-and-answer session. (Operator Instructions) At this time, we will pause momentarily to assemble our roster. Paul Patterson of Glenrock Associates.

Paul Patterson: I was wondering if you -- I mean, is there any rule of thumb or any sense you can give us to what the delay might mean in terms of cost?

Steve Byrne: Not really. Until I get the cost estimates from the Consortium, I'd be loathed to talk about any rules of thumb. And I'm not aware of any, necessarily, any rules of thumb. So we'd have to review what their assumptions were when it went into the schedule and what cost that they think that they might be entitled to, and then we would, on the other side, argue that they might not be entitled to some of those costs.

But until I have an opportunity to have my team go through the entire schedule build up and then I receive a cost estimate from the Consortium, I'm really not going to know what the costs are.

Paul Patterson: Is there any sense as to when you guys, when you do get this information and stuff, when it might be made available and when it might become public when --

Steve Byrne: Yes, I think --

Paul Patterson: -- for us to look at?

Steve Byrne: Yes. What I anticipate, Paul, is that the first number that I get from the Consortium is going to be something I'm not going to like, and they'll use that as one peg for negotiations. And we've seen this before.

We anticipate getting the information yet this quarter. And as I said earlier, our goal is to get this thing concluded by the end of the year. So certainly, before the end of the year, provided we've negotiated to it, we would make that public at that point in time.

Paul Patterson: Okay. So when you guys are finished with the negotiations, we'll get the information?

Steve Byrne: That's correct.

Paul Patterson: Okay. Thanks so much.

Operator: Jim von Riesemann of CRT Capital.

Jim von Riesemann: Couple questions. One, the first one, is definitional. But what does substantial completion mean?

Steve Byrne: It's just the date when the Consortium is going to turn the plant over to us, and they would say that the plant is complete. Now, that will include the start-up testing phase. So the plant will actually be up and operating at that point in time.

Jim von Riesemann: What's the delta between substantial completion and commercial operation, do you think?

Steve Byrne: No, I'm not sure. That's really a function of the regulatory process in South Carolina. But under our Base Load Review Act, I would not anticipate that that will be a

large delta.

Jim von Riesemann: Okay.

Steve Byrne: I think we're probably talking about months, not quarters.

Jim von Riesemann: Okay. That's good. Hey, what happens this Friday, when you're supposed to make your latest and greatest BLRA filing? What's going to be included in that document from just sort of -- from the disclosure with today's announcement?

Steve Byrne: Yes. We intend to make the BLRA filing on the 14th, which is our quarterly report. I assume that's what you're talking about.

Jim von Riesemann: That's that I'm -- yes.

Steve Byrne: Right. So in that, we will go through the normal updates that we go through on the project and what our areas of focus are. We'll update where we are on the cost, and I have some language, very similar, to what you're going to see in the 10Q, that should hit the wire today.

Jim von Riesemann: Okay. And then I want --

Steve Byrne: Jim, It'll be very similar to what you've seen in the press release. We're just going to announce the fact that we've had our preliminary discussions with the consortium over about the past week and that we've got a range of options on the guaranteed substantial completion dates, and that that will kick off a process for us to review the schedule information, and then negotiate on cost.

Jim von Riesemann: Can you just talk a little bit about that? Where does the Commission play a role in all of this at this stage now? And then does the legislature need to do anything under the BLRA? I don't think they do, but I just wanted to make sure.

Steve Byrne: No, the legislature would not have to do anything under the BLRA. It is law in the state of South Carolina, so there's nothing the legislature would have to do with it.

From here on out, we would have to then petition the Public Service Commission to allow the new schedule, construction schedule and cost estimates. But I have to have those before I would petition them to do that.

So as soon as I get the review of the schedule done and the cost estimates, that's the point at which we would go back to the Commission in a separate filing.

Jim von Riesemann: In a separate filing. But could you do it like, say in a parallel path with a normal February filing that you make?

Steve Byrne: We certainly could, but we would not want to get it confused with the normal rate filing that we make, which generally, I think that rate filing is made in May for rates to be effective November 1.

Jim von Riesenmann: Right. Yes.

Steve Byrne: So really, it's the May filing I think you were talking about.

Jimmy Addison: Yes. So, Jim, we make those quarterly filings within 45 days of quarter end just on the regular updates each quarter. And so what Steve's talking about once we really get our hands around this information with the Consortium, we'll make an atypical filing to update that information with the Commission. So it doesn't have to follow any of those 45-day quarter-end sequences.

Jim von Riesenmann: Okay. I know there's other questions in the queue, but I have one other question, which follows up on Paul's question. So when you think about or how should we think broadly or can you talk broadly about how we should think about the timing of this updated cost schedule and the broad drivers of those change costs?

Obviously, you've gotten enough color at this point in time. But how should we think about maybe a cost benefit analysis with respect to the estimated cost changing and the estimated completion dates? So what I'm asking in a very roundabout way is, is there a possibility that mitigation and/or acceleration might increase cost but, perhaps, decrease the in-service timeline date or vice versa?

Steve Byrne: Let me see if I understand --

Jim von Riesenmann: You get what I'm asking?

Steve Byrne: Yes, I think I get what you're asking. So they're going to come to us with this range of options on when they're going to complete the plant and turn it over to us, and some of those may include some increase in cost. There may be some negotiation around if we shorten that schedule, does it necessarily increase the cost? As in, if folks are onsite for three months less, six months less, that'll actually save money on the time that they're there, which all falls out of the target piece.

So it's going to be a balancing act. So I don't have a clear-cut formula for today for if I extend the time and go to the far end of the range it costs me less, it's not that clear cut or that simple. So it really is going to have to be an evaluation of where we fall out on, on the different cost categories. Most of this would fall in a target bucket, but we'd also have to factor in things like escalation.

So I want to make sure that I have people onsite for as little time as we possibly can, and I don't really want to extend that time.

Jim von Rieseemann: Okay.

Steve Byrne: But in that compression, if they're working, let's say an extra shift, I'll shorten the amount of time people are there overall, but I might increase what I'm spending each day of that shorter period of time now because I'm working a second shift, that kind of thing.

Jim von Rieseemann: Right. Okay.

Steve Byrne: But that's the level of negotiation we'll be getting into.

Jim von Rieseemann: Okay. And for us sitting here on the street, it's safe to assume that these 46 milestones that are outside the PSC's timeline, somewhere in there is the real culprit as to what's driving this delay?

Steve Byrne: Well, I would just tell you that of the 46 milestones that are left, we will not be outside of our contingency on all 46. I couldn't tell you, again, until I'm completed with that review. It may be half of them. It may be less than half of those that are left. But it won't be all of them, certainly.

Jim von Rieseemann: Okay.

Steve Byrne: And I will tell you that from our perspective, the culprit on the delay so far has been the structural modules coming out of Lake Charles.

Jim von Rieseemann: Okay. Thanks so much.

Operator: Andrew Weisel of Macquarie Capital.

Andrew Weisel: On the last conference call just a few weeks ago, it sounded like you weren't going to make a disclosure until something is solid. Now, I know in the statement this morning you said that you've not accepted the new schedule. But should we take that to mean that you're at least in the same ballpark on timing?

Steve Byrne: Andrew, I'm not sure I understood the question with regard to ballpark on timing. We --

Andrew Weisel: There was a back and forth on the last conference call where people were asking when you'll come public with a disclosure. And, Steve, it sounded like you were basically saying I expect they'll give me something that I'm not going to like, then we'll have a negotiation, then we'll announce it to the public.

The fact that you're going public with the timing of the in-service expectation so soon thereafter, does that mean that you more or less agree with the timing?

Steve Byrne: No. Let me -- I remember now the back and forth, because I was involved

in the back and forth. And the point I think I was trying to get across that we weren't sure when we would be making a disclosure and it isn't necessarily that once I get the information I'll make a disclosure.

Now, when we had those comments, I didn't realize we would be getting the information so shortly after the earnings call. So one reason for today's call is because things happened so quickly.

The other is that some of the milestones falling outside of 18 months and us having to go back for another hearing does, I think at least for our disclosure committee, trip a trigger that we thought it would be useful information to disclose.

Andrew Weisel: Got it. Okay, that's helpful. Next question is, a little over a year ago at the Analyst Day, you talked about a six-month delay and estimated that it would be about a \$400 million impact. I completely understand that you don't know what the new cost estimates are going to look like. But if we assume that there's no real change to the capital cost, would it be a rough ballpark sense of what the timing cost might look like?

So that worked out to a little over \$2 million per day. And in the last answer you just gave, you were talking about having all the folks onsite and the cranes and all that stuff. Is that \$2 million a day roughly reasonable for, again, just the timing cost, not any change to the capital costs?

Steve Byrne: The \$2 million a day is not a number that we've ever put out. If you go back to June of last year during our Analyst Day, so that'd be June of 2013, what we put out then was a delay that roughly approximated to nine months. And what we put out was that our portion of the total estimate, and, again, this was an SCE&G estimate, not a Consortium estimate, and we were not speaking to the Santee Cooper piece. But just the SCE&G piece was about \$200 million, at least at that point in time.

Though I don't know that you could just take that and ratio it to a roughly 12-month delay to try to come up with cost, I would be loathed to do that.

So let us work through the schedule. I need to verify that we think that the schedule is, one, doable, and, two, doesn't contain too much fat. Once we do that and we look at what the buildup to the schedule was, we'll start to bounce that against the cost numbers that they will give me and we'll talk about entitlement to those costs, because, obviously, the contractor will more than likely try to say that they're entitled to all or most of those costs, and we might take a different view of that.

So it's not as simple as to [ratio'ing] up from a previous estimate that we gave.

Andrew Weisel: Okay. Fair enough. Then lastly, a few weeks ago there were some media reports about Lake Charles and that they might not be involved in fabricating modules any further.

Is Lake Charles still involved or is it more moving to other firms? Specifically, the articles mentioned Oregon, Florida, and Virginia.

Steve Byrne: Yes, there are modules that are going to come out of Oregon Iron Works in Oregon. There are modules coming out today from Newport News in Virginia, Newport News Industries, NNI. And there will be modules coming out of a combined Toshiba IHI effort in Japan.

So the Consortium has moved fab of those sub-modules to those other locations. Lake Charles is still producing sub-modules. The CaO-I modules that we're receiving onsite now are coming from Lake Charles. And at least in the last few months, Lake Charles has been hitting their schedules for delivery of those components. So that's good news.

But we will be de-scoping that Lake Charles facility. Now, Lake Charles will likely still be involved for some nonstructural modules, like mechanical modules. So if you have a pump skid, let's say, they could still be involved in those kinds of things.

And it's possible that we could take some modules that Lake Charles has some recent experience with that may be very difficult, and they've just fabricated one. We may move a couple of those back to the Lake Charles facility, just because they've gotten some recent experience with some very difficult modules. But we should be beyond the Lake Charles obstacle shortly.

Andrew Weisel: Okay. Thanks a lot.

Operator: Michael Lapides of Goldman Sachs.

Michael Lapides: Couple of questions. First of all, is there the assumption like we've seen a couple times over the last year or so, where the project delay means near-term capital spending actually comes down a little bit and kind of the expectation for the 2016 to 2018 or 2019 time frame just kind of either comes up or stays the same, just things get pushed out? Is that kind of the right way to think about it, that money you expected to spend this year or maybe very early next year, maybe you can't really spend it because Shaw Modular isn't ready for you, and then it just impacts kind of the longer term outlook?

Steve Byrne: Yes. Michael, I think that has been the case in the past. But for the short-term outlook this year, I don't expect that to be the case. We are receiving modules from Lake Charles. We are receiving modules for NNI. So things are coming in. We're probably up to 2,800, 2,900 employees from the Consortium on the site. So I think that the numbers that we put out for this year are going to be good numbers.

And then long term, we're going to have to look at what the cash flows are like. Obviously, if I'm stretching it out a little bit, the cash flows will stretch out somewhat. But in the short term, I don't see that changing significantly.

Michael Lapidès: Okay. And the other is from a regulatory standpoint. Does the Commission have to approve -- when you come in and request, hey, look, we're going to go past the 18-month original kind of window that they granted when they approved the project back in 2008, do they have to go ahead and approve your request now or even deny your request now or can they say, hey, look, let's hold off and we'll kind of do a broader prudency review when the project's online and in service?

Jimmy Addison: Yes. Michael, our understanding of the -- first of all, we've not found ourselves [there] before. Our understanding of the process is that when we see that on a projected basis that we would be outside of our timeline or dollar bounds that they have provided, that we would go back to them and request approval then so that we've got kind of everything that we're aware of in front of the Commission and they can rule on it at that point in time.

I really had not thought about the way you phrased that question before, so I'm not sure of the answer to that as whether or not their option is to wait. But the practice at least has been to approve it through the continuation of the entire project when we're aware of it.

Michael Lapidès: Got it.

Steve Byrne: We have done this twice before where we have asked for a new capital schedule and construction schedules, and at least in those two instances, the Commission has taken an immediate vote on it and --

Michael Lapidès: Got it.

Steve Byrne: -- seek the new schedules and the new capital structure.

Michael Lapidès: That makes a lot of sense. And when we look at one of your vendors, meaning when we look at the parent company of Shaw Modular Systems, we're seeing that their revenue run rate on the project has actually jumped dramatically this year in terms of what they are accruing from the U.S. nuclear projects.

Just curious, does that mesh with the amount of cash that you're paying them right now? Meaning, has your cash outflow to pay them for the project jumped up significantly during 2014, relative to 2013 levels?

Steve Byrne: Yes. First of all, Shaw Module Solutions with the acquisition was changed to CBI Lake Charles. But it's the same facility that we're talking about.

I haven't seen their numbers for run rate on the project. But it's not necessarily a good assumption that their spend on the project will match up with our payments to them for the project, because they have some issues with responsibility for some of the delays that we should not be responsible for.

Michael Lapidès: Meaning they could be incurring costs that they're not necessarily

going to recover from you?

Steve Byrne: That's correct.

Michael Lapides: Okay. Thanks, guys. Much appreciated.

Operator: Ashar Khan of Visium.

Ashar Khan: My questions have been answered. Thank you.

Operator: (Operator Instructions) Andy Levi of Avon Capital.

Andy Levi: I guess just looking at costs that are more predictable, and maybe you kind of went into that already. But those would fall under oversight costs, property taxes, and kind of operating readiness costs that would fall outside the Consortium costs? I don't know if I'm saying that right. But is that kind of --?

Steve Byrne: Andy, I think what you're referring to is what we would call owner's costs.

Andy Levi: Owner's costs. Thank you.

Jimmy Addison: Right.

Andy Levi: Okay. And I know we don't have a rule of thumb. But I guess when you gave the extension a year ago, I assume there were some owner's costs that were escalated. Is there a way, like for Southern, I guess, they were saying when they increased in their VCMA, which is a filing that they make, when they increase the time frame by 20 months, the owner's costs, and, again, I don't want to quote them, but they said it differently, was about \$244 million or about \$12 million a month.

Is there any type of info that you can give us on that that's somewhat comparable, or anything kind of relating to that?

Steve Byrne: We don't currently have broken down either by month or by week or by day what owner's costs are. We would just take a look at what the extension would potentially cost us, based on how many people we have at the time.

Now, we are hiring folks for the project all the time, and our goal was to be at full staffing in time to support the units coming online, such that if the units are now going to come online a little bit later than that, we would look at those staffing plans and we would readjust our staffing plans accordingly. So you can't just take a linear adjustment that we've been hitting so far, add the number of people and come up with the cost, because we may not add those people as quickly as we had anticipated.

So we would do things in a very similar fashion to Southern. I think our numbers on total staffing are very similar to Southern. They may have staffed up a little earlier than we

did. But certainly, as a result of this, we would anticipate for SCE&G to reevaluate our staffing numbers and try to stretch those out as the project stretches out.

Andy Levi: Okay. So even though I guess that you've started training and all that, there's flexibility. But I guess with the property taxes and the oversight cost, right, which is different than some of the other costs, those are kind of, just kind of, I don't want to say fixed, but kind of growing, and --

Jimmy Addison: Hey, this is Jimmy. Just on property taxes, that really is not applicable until the units are operational.

Andy Levi: Southern seemed to say something different. But that's, again, Georgia's different than the Carolinas.

Jimmy Addison: Yes, there could be some difference there, but not in South Carolina.

Andy Levi: Okay. And then the last question is, why would you guys be having these delay issues and Southern seems not to be having them?

Steve Byrne: I can't speak for the Southern project. From a construction perspective, their project and our project are running pretty well neck and neck.

Andy Levi: Okay. I'm just trying to understand. I mean, it would, right, it would be kind of the same equipment kind of being done at the same time, yet they're not disclosing any type of issue. I guess maybe [you added], maybe is the better way to kind of look at it. But okay. So there shouldn't be -- again, you can't really talk for them.

Steve Byrne: Right.

Andy Levi: But you don't want to answer that question. Okay. Thank you.

Operator: Mark Barnett of Morningstar.

Mark Barnett: You guys have talked about quite a lot of detail already, at least as far as you can. I'm wondering, when you highlight some of the more specific items that are going to get pushed out beyond the contingency, so it sounded like you had said the larger modules coming out of Lake Charles are not going to be the problem.

I was just curious if you could talk more about what the specific items that are really driving the change in timeline, not on a cost basis but just what the particular items are that might be causing the holdup.

Steve Byrne: Yes, I think I can answer that question for you, Mark. And I do believe we've said pretty consistently for a number of quarters now that the modules coming out of Lake Charles have been the problem.

Now, the next big module to come out of Lake Charles is a module called CaO-1. And CaO-1 is a large, very large structural module that'll go inside the containment vessel. And it will go around and form the cubicles for things like the steam generators or reactor vessel, the refueling cavity, those kinds of things, pressurizer. So it's a big module and takes up a lot of the internals of the containment vessel itself.

Setting of CaO-1 is not a BLRA milestone. However, it is constraining other milestones. And an example of that would be, we've got a module called CaO-3, which forms a large portion of the -- a large water tank that goes inside the containment vessel.

I cannot set CaO-3 until CaO-1 is set. So even if CaO-3 may be onsite and may be constructed and ready, I won't be able to set it, because CaO-1 will not be set. So that that structural module, CaO-1, has been constraining other things.

I also have to get CaO-1 lifted and into the containment vessel. I can lift it over the first ring section, but I cannot lift it over two rings. So I'm constrained from putting the second ring section on the containment vessel. So this CaO-1 structural module is really constraining me from doing a lot of things.

So the two things I just gave you are two examples of BLRA milestones, that ring section and CaO-3, that though they may be ready, I will not be able to set them because CaO-1 is going to be delayed.

Mark Barnett: So I guess to follow up on that, when you now kind of have more clarity about the potential delay, but you have been talking about issues with these modules, is there anything new that's particularly driving these revised estimates or is it just that you've arrived at a more firm understanding of the time frame to address it? Or the Consortium has arrived at a more firm --

Steve Byrne: Yes. Mark, I think it is the Consortium has arrived at a more firm estimate. But that came out of an effort that they've been underway now with for probably seven months to eight months, and that's what they're calling a fully rebaseline integrated project schedule.

So in the past when we've had some module issues, we've gone to CB&I and, prior to that, Shaw, and said, what is the -- when will it be ready on the modules and what is that doing to my schedule? And they would give us the answer for that question that we asked.

What they've done more recently, though, is, they've looked at the project overall, in addition to what the modules are doing to us, they're taking a look at engineering completion. They're taking a look at procurement experience. They're taking a look at efficiency of the workforce on the site, staffing numbers, all those kind of things, and they've integrated them into the schedule that we were given in the last week.

So it is a little bit different and it's a much more involved, much more detailed effort than

they've given us in the past.

Mark Barnett: Okay. I just wanted to clarify that there wasn't maybe a new large kind of development driving any of that. But thanks for your detail. I appreciate that.

Operator: Jim von Rieseemann of CRT Capital.

Jim von Rieseemann: Hey, Jimmy, two follow-up questions, if I may. The first one is with respect to Santee Cooper. And I know they have a vested interest in all this, plus, you're also buying a piece from them. How does this delay impact that transaction?

Jimmy Addison: The 5% transaction, Jim?

Jim von Rieseemann: Correct.

Jimmy Addison: Yes, it really would not have any direct impact on it, because that's really driven off of milestones when the first new unit comes onboard. So everything is driven off that as opposed to any calendar date. So it would just move with whatever these ultimate dates are.

Jim von Rieseemann: Okay. And then the second question is, have you had conversations with the rating agencies about this?

Jimmy Addison: We have. We've had brief conversations with each of them today to give them a heads up, so nothing extensive. Each of them really need to, they've indicated, they need to kind of process that information and decide what kind of impact it has.

Jim von Rieseemann: Okay. Sounds good. Thank you.

Operator: Andrew Weisel of Macquarie Capital.

Andrew Weisel: Thanks for taking the follow-up. Can you just remind us how the contract is structured in terms of which costs are fixed and which are not? And I understand you're sort of renegotiating. But the way it's written currently, how much is fixed? And how does that compare to the contracts for Vogtle?

Steve Byrne: Well, go back to something I previously said. I can't speak for Vogtle, and I don't know their contract is the same as ours or different than ours. So you have to direct the Vogtle questions to them, to Southern.

Our contract is structured such that things come in, what I would call different buckets. We've got some costs that are fixed, some costs that are firm, and by firm what we mean is the cost of the specific component might be fixed cost, but it's got a known escalation rate, whereas, the fixed cost, you just pay that price, there's no escalation rate on it. And then, so we got a couple categories of that.

We've got some that are fixed -- sorry -- that are firm with an indexed escalation rate, and then we have some that are time and materials and then one bucket that's called target. And so the target piece, you would estimate, but, in reality, it's going to cost what it costs.

So I think we had advertised lately that we are up to about two-thirds of the contract that is in the either fixed or firm buckets. And so that would leave the T&M, T&M and target pieces that would be about one-third.

Andrew Weisel: Okay. Thank you.

Operator: Craig Lucas of Lexus Asset Management.

Craig Lucas: I think earlier you said something to the effect that the V.C. Summer plant and the Vogtle plant were somewhat like neck and neck in terms of how they were being constructed. And is it your expectation that they decouple in the future, that that neck-and-neck fabrication no longer's going to be the case, potentially, and they somehow decouple, where one gets done first?

Steve Byrne: Well, obviously, one will be finished before the other. I don't know that there's an overt decoupling. It may be a natural decoupling. There are some things that are site specific that will be a little bit different. Example of that is the cooling towers. So we're using different cooling towers than they are.

They are a hard rock site -- I'm sorry. They're a soft soil site. We're a hard rock site. So there are some differences in the construction sequence based on what kind of site you are and how you can load the base mat and those kind of things.

But on a macro scale, Craig, we don't expect to see any decoupling.

Craig Lucas: Okay. And then one more little question. So the fact that you folks are announcing this today is really the result of your request from the Consortium for a revised schedule? Is that what's driving all this?

Steve Byrne: It wasn't necessarily our request for. It's they informed us, I want to say it was Q4 of 2013, that they were going through this process. Now, we're always asking for better information, more accurate information on schedule and cost. But they announced to us that they were going through this significant and rigorous process seven, eight months ago, and so this is the result of that.

Craig Lucas: Okay. Thank you very much. Appreciate it.

Operator: Michael Lapides of Goldman Sachs.

Michael Lapides: At the Analyst Day, you talked a bit about some cost changes or really cost pressure or cost -- labor, wage improvement is probably the best or most politically

We've got some that are fixed -- sorry -- that are firm with an indexed escalation rate, and then we have some that are time and materials and then one bucket that's called target. And so the target piece, you would estimate, but, in reality, it's going to cost what it costs.

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Operator: Michael Lapidès of Goldman Sachs.

Michael Lapidès: At the Analyst Day, you talked a bit about some cost changes or really cost pressure or cost -- labor, wage improvement is probably the best or most politically

Steve Byrne: Certainly.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Jimmy Addison for any closing remarks.

Jimmy Addison: Well, thank you. And thank you all for joining us today on shorter-than-normal notice. We've always been committed to transparency with you, and we will certainly be back to you with more information as meaningful information is gathered. I hope you all have a great afternoon.

Operator: The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.